Euromoney special report:
Xi’an

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Xi’an Municipal People’s Government

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Foreword: Mayor of Xi’an

Mayor Dong Jun’s foreword

Xi’an is a city of the past and the future, a city of endeavour and economic aspirations, of creativity and competitive spirit. Few who come here, from casual visitors to global multinationals, will forget the experience.

The city bursts with opportunity and ambition. Thousands of multinational companies have made Xi’an their home, and for good reason. This is a great city to do business both in and from: 8.5 million people live here, with 600 million more living within a 1,000km radius.

Once a key trading hub on the Silk Road, Xi’an is at the heart of China. Goods and services flowing from Beijing to southwest China, and from Shanghai and Hong Kong to northwest China, pass through the city. In time, Xi’an will be the nexus of a far larger meta-economy linking Central, Southeast and East Asia and the Indian subcontinent.

Global multinationals increasingly recognize the value of being here. All local industries are enjoying record growth, from auto production and high-end machinery to new media and the creative arts. Xi’an is the epicentre of advanced Chinese industries, including aviation and aerospace: the MA60 airliner is designed and built here, as is the Comac ARJ21. Xi’an is also at the forefront of the China Lunar Exploration Program.

Total inward foreign direct investment (FDI) into Xi’an jumped by more than 50% in 2012, and the value of the city’s economy grew 11.9% last year, to nearly Rmb437 billion ($71 billion).

Companies of all sizes continue to flock to the city. Samsung is set to open a $7 billion factory here in early 2014 making high-tech memory chips. That marks the first stage of the largest inward technology investment by a global corporate since China began opening up in the 1980s. Nor will we rest on our laurels: Xi’an will continue to attract and welcome more Fortune 500 companies to our wonderful city.

Human capital

There are almost too many benefits about investing in Xi’an to count, but here are a few of the more compelling. This city takes education seriously. More than 3,000 science institutes pepper the city, boasting 440,000 professional and technical personnel – a wonderfully rich and diverse reserve of human capital for investors. Labour costs are significantly lower than in coastal regions.

Xi’an is also still growing fast. The city continues to absorb new workers, entrepreneurs and corporate investors, providing significant opportunities for everyone from retail brands and hoteliers to construction companies and architects.

Our financial services sector is growing apace. Branches of most major Chinese lenders, plus several international banks, are located here. Xi’an is increasingly becoming the financial hub of western and northwestern China. We welcome more global investment into financial services.

Nor will investors ever be short of help. Xi’an boasts no fewer than eight development zones, many containing industry-specific clusters, like aviation and aerospace, or well-tended science and technology parks.

And as public servants, we are also here to solve any problem, whether that means helping firms trim their tax rates – corporate taxes are seven percentage points lower here, at 15%, than in coastal provinces – or to help them secure visas for trainees or foreign workers and managers.

Cultural splendours

Then there is the splendour of the city’s culture and heritage. Emperors from 13 Chinese dynasties once called Xi’an – then named Chang’An – their home. From the Terracotta Warriors to the magnificent Dayan Pagoda, there is a lifetime’s worth of experiences to enjoy.

All of which makes this a great city in which to live and work. Xi’an is strewn with wonderful natural diversions, from tourism landmarks to the great Huashan and Qinling mountain ranges nearby, while countless restaurants and cafes cater to every taste.

Transport is also a key virtue. From Xi’an, you can reach more than a dozen provincial capitals within a day by car. Beijing is four hours away by high-speed rail. And our recently upgraded airport is adding new domestic and international routes every month. Xi’an itself is a joy to travel around: traffic jams are rare, thanks to nine freeways and a rapidly expanding light rail system.

Xi’an has been opening up rapidly through frequent international exchanges and cooperation. Many high-profile events are held every year. The 2011 International Horticultural Exposition is a classic example, as well as the bi-annual Euro Asia Economic Forum.

In the long term, our goal is to create a globally renowned historical international metropolis, a city with a celebrated past and a glorious future. Xi’an is again a city on the rise, where investors can be sure of a warm welcome, and of finding a helping hand wherever they turn. Come and join the journey.

Published in conjunction with Xi’an Municipal People’s Government
Xi’an: China’s economic heart

An ancient capital on Asia’s Silk Road, Xi’an is regaining its former prominence as an industrial powerhouse, centre for innovation and creativity and transport hub to which businesses flock from all over the world.

Dream no small dreams, cautioned the great German poet Goethe, for they have no power to move the hearts of men. The same is true of cities, vast collections of people aspiring to reach the next level in life. Ambitious cities attract and retain the best thinkers and achievers – people who, having stood on the shoulders of giants, support the next generation.

This catalogue of municipal greats is shorter than you may imagine: the likes of London, New York and Beijing spring to mind. But another name is making its way on to this list: the great Chinese city of Xi’an.

Known in ancient times as Chang’An, Xi’an was once the centre of the world: humanity’s largest city, nexus of the Silk Road, capital of 13 Chinese dynasties. A few lean centuries intervened, but in recent years Xi’an’s power has waxed again. Global corporates are returning in droves: few mainland cities can boast as many resident multinationals, from GE and Siemens to Emerson and Fujitsu.

Xi’an’s inventors and engineers, notes the city’s Development and Reform Commission, built the nation’s first rockets, airliners and integrated circuits. Eight development zones dot the city, connected by nine freeways, a growing light rail network and high-speed rail lines linking Beijing with China’s far west and deep south.

At the crossroads

Investors have taken notice of the city’s world-class infrastructure. More than 400 million people lie within a day’s travel of Xi’an by road. Beijing is four hours by high-speed rail and just two hours away on one of the 12 daily flights linking the capital with Xi’an’s recently enlarged airport. “Within one day you can reach more than a dozen provincial capitals,” notes Yang Anding, director at Xi’an Economic & Technological Development Zone (ETDZ). “That is what puts Xi’an at the crossroads of China.”

Such reasons, among many others, explain why Xi’an is fast becoming a hotbed for multiple industries, from assembly line manufacturing (car parts, trucks) to high-end engineering (aerospace, aircraft production).

Add in fast-growing sectors, from pharmaceuticals and food and beverage, to logistics and digital media, and you can see why municipal GDP jumped nearly 12% in 2012, to Rmb437 billion ($71 billion). It also explains why South Korean conglomerate Samsung is set to open a $7 billion factory here in early 2014 making high-tech memory chips. This signals the start of the largest inward technology investment by a global corporate since China began opening up in the 1980s.

If hard infrastructure – the bones of modern business – matters to leading global investors, so does the softer variety. And here again, Xi’an wins with room to spare.

Benefits abound to the point that it’s hard to find reasons not to invest. Take corporate taxes. In past years, China’s leaders sought to attract investment to coastal regions by trimming tax rates. That policy has now flipped, thanks to the ‘Go West’ campaign that channels funding and production to inland, western regions and cities. Thus corporate tax rates average out at around 15% in Xi’an, compared to a national average of 22%.

Attracting talent

“Talented” workers (engineers or managers holding, say, an MBA) from any country and earning more than Rmb150,000 a year benefit from a tidy 30% cut in income tax. That programme of attracting talented workers has, says William Chen-Hui, deputy director general of the Xi’an Hi-Tech Industries Development Zone’s (HIDZ) administrative committee, been...
Xi’an: China’s economic heart

“hugely instrumental in helping companies to recruit senior and successful individuals from China’s coastal cities”.

Further benefits exist at all levels of the food chain. Rexroth, a maker of electricity converters for industrial motors and part of Germany’s Bosch group, has benefited from a conscious decision by city officials to generate entire business clusters and supply chains locally. Rexroth marketing manager Martin Baulig notes that a manufacturer of printed circuit boards (PCBs) recently opened a factory a few hundred metres away. Buying from the new neighbour allows Rexroth to claim 3% of the purchase cost of circuit boards back at the end the year. “That is good news for everyone,” notes Baulig. “PCBs are our main ingredient here, and the savings are great for turnover.”

For the greater good
For many, this is just one example of the local government’s ability not just to sit and listen to investors, but to act on advice or suggestions. Everything is done for the greater good, creating a positive feedback loop that consistently encourages corporates of all sizes to boost investment and production.

HIDZ’s Chen Hui points to the integral network of highways, high-speed rail and airports. Moreover, the city is rapidly becoming one of China’s leading economic hubs. Twelve daily flights link Xi’an with Beijing, while throughput at the recently enlarged Xianyang International Airport has risen nearly eight-fold, to 23 million passengers a year, in less than a decade.

And Xi’an’s location works both ways. It’s easy to ship goods from here to anywhere in the world. But Xi’an is also a remarkably accessible city. Walking around Rexroth’s spanking new factory in the ETDZ, built just three years ago when Bosch bought two domestic Chinese brands, Baulig points to an entire assembly line recently shipped in from Germany, a process that took just a few days. “Around 10% of our inputs are shipped here from Germany: it’s less than a week to door.”

And that’s not all. Baulig reckons that it’s quicker to fly products to Xi’an from the firm’s headquarters in central Germany than it is to ship them to Bosch Rexroth’s Shanghai factory on the eastern seaboard. That fact may not surprise foreign corporates already operating here, but it’s another compelling reason for anyone mulling a major investment in the city nonetheless.

Major conurbations from Wuhan to

Working at the centre of things

When it comes to buying property, real estate agents across the world chant the same mantra: “location, location, location”. No one wants to buy a house next to a busy highway or far from one’s workplace. Likewise, corporates looking to spend millions or even billions of dollars on new production facilities or office space want to know they’re investing in the right place. Xi’an dispels any such concerns with ease. Like all successful cities, it’s not only a great place to work in, but also a great place to work from.

Multinationals have swarmed to the central Chinese city in recent years. In 2011 and 2012 alone, 26 Fortune 500 corporates set up shop in Xi’an Hi-Tech Industries Development Zone (HiDZ), one of China’s six leading technology parks and one of eight development zones peppering the cityscape. In total 105 Fortune 500 companies operate in the zone, according to William Chen-Hui, deputy director general of HiDZ’s administrative committee, with 10 more corporate giants set to join the fold this year. Key investors include US firms Honeywell and GE, European corporate giants Siemens and Shell, and Japanese titans NEC and Toshiba.

At the centre
So what do GE, Siemens and their peers see in western China’s leading city? For many, one of the most compelling factors is Xi’an’s place on the map. Yang Anding, director at Xi’an Economic & Technogical Development Zone (ETDZ), notes that a dozen or more provincial capitals are reachable by truck within a day, thanks to huge investments in China’s network of highways. Beijing is four hours away by high-speed rail. Shanghai is around six hours by train, as are the great eastern ports like Tianjin, Qingdao and Ningbo.

Notes Martin Baulig, marketing manager at Rexroth, part of Germany’s Bosch group, which makes electricity converters for industrial motors: “Within a single day we can reach almost half of China’s population by truck. From a logistical perspective, you really are at the centre of China here. We ship to Beijing and Shanghai, to Guangzhou and Guilin in the south, and to Xinjiang in the west. It’s really the perfect place to be.”

Location is a doubly positive factor. Not only is Xi’an literally at the heart of a country where far-flung cities and people are connected by a complex, high-quality line recently shipped in from Germany, a process that took just a few days. “Around 10% of our inputs are shipped here from Germany: it’s less than a week to door.”

And that’s not all. Baulig reckons that it’s quicker to fly products to Xi’an from the firm’s headquarters in central Germany than it is to ship them to Bosch Rexroth’s Shanghai factory on the eastern seaboard. That fact may not surprise foreign corporates already operating here, but it’s another compelling reason for anyone mulling a major investment in the city nonetheless.

Major conurbations from Wuhan to
relationship between corporates and government. “We have a government affairs service centre with 99 counters spread across two floors. Almost all issues can be dealt with in one place, and that helps companies save an awful lot of time. I believe this is one of the best systems of its kind, anywhere in China.”

Other, soft infrastructure benefits abound. Labour costs aren’t rising as fast as they are in coastal provinces; most companies here reckon that salaries at all levels are around 20% lower than in cities like Shanghai or Shenzhen. Plus, it’s increasingly easy to convince workers to return to, or relocate to, Xi’an.

Rexroth’s Baulig notes that students tend to graduate from local universities in Shaanxi province and first head east, seeking money and adventure. Between three and five years later, many return to Xi’an, in search of home comforts, a new challenge, lower living costs and a life partner. “This is a huge advantage to us,” says Rexroth’s Baulig. “There’s a constant inflow of very well qualified people who are looking to come back here and settle down.” Ma Jun, controller at the system sensors division of Honeywell Life Safety, says this “reliability factor” is one of the key reasons that the US technology giant opted first to build, then to expand, its western China operations in Xi’an.

“The main reasons for relocating here were labour availability and labour costs,” says Ma. “But it’s also about stability: people are less likely to hop from one job to another, and they are happy to remain here with their families, often in their home town.” Ma reckons that annual turnover rates are in the “lower single digits” in Xi’an, against 15%-plus in the likes of Shanghai.

Xi’an authorities are also constantly on the lookout for ways to make investors’ lives more convenient. Rexroth’s Baulig compares Xi’an with cities elsewhere in the mainland, notably in southern provinces such as Guangdong. “It’s not always easy in any city to get visas processed for trainees, or for foreign managers. But Xi’an makes it pretty much hassle-free. It was very simple to get my visa processed, for example. Everything just runs so smoothly here.”

Chongqing to Chengdu, cities within China’s Western Development corridor (also known as the ‘Go West’ campaign), are also all within a few hours’ travel – great for producers, shippers and domestic sellers of goods and services. ‘Go West’ is a coordinated effort to attract more companies to great inland Chinese cities like Xi’an by trimming corporate tax levies. Tax rates differ depending on the size of each enterprise but, notes Ma Jun, controller at the system sensors division of Honeywell Life Safety, a division of the US technology giant, lower taxes “help encourage foreign corporates to invest and fund expansion in Xi’an”.

Cost advantages

Location aside, other benefits abound for investors. Labour costs are temptingly low – at least 20% under Shanghai wage levels, reckons Bosch Rexroth’s Baulig. Living costs also provide ample reason to invest here in Xi’an, rather than in coastal regions. “It’s far cheaper living here than in a city like Shanghai or Shenzhen,” says Honeywell’s Ma. “That’s a key factor in being able to convince the best engineers and managers in seeking to relocate here from eastern cities.”

The city also boasts “rich human resources,” notes the HIDZ’s ChenHui. With nearly 100 higher learning institutions boasting upwards of 800,000 students, including the world-renowned engineering-focused Xi’an Jiaotong University, the city ranks as one of China’s big-three college towns. That makes it easy for enterprises to locate and hire the right people, from analysts and auditors to engineers and technicians.

All these benefits, pooled together, explain why the city’s future looks so bright. Xi’an has worked hard to build on its manifold advantages, and to create others – building new highways, airport facilities and rail lines – where infrastructure gaps existed. And it’s working. Fortune 500 investors continue to flood into this great city, benefitting from improved transport facilities and robust communications with proactive local authorities.

Spreading the word

ChenHui says that, 10 years ago, it was harder to convince major enterprises to invest in Xi’an. “Back then, it was hard to meet up with senior executives at leading global corporates. Now, every time I travel, I tend to meet with CEOs or vice presidents. They want to know more about Xi’an, what the city can offer them.”

ChenHui points to a recent conversation with a senior Honeywell executive. “His first visit to Xi’an was in 2005, when it took him two hours to get downtown. Now it takes him 30 minutes. He’s been here 70 times and he says the business environment improves every time he comes.”

And, just sometimes, an investment decision is made by a corporate giant that makes the world sit up and take notice. That happened to Xi’an in September 2012, when South Korean conglomerate Samsung chose to locate a new facility in Xi’an. Nor was this just any investment. Samsung’s investment will top $7 billion, making it the largest inward technology investment by a global corporate since China began opening up in the 1980s. Samsung mullled its decision long and hard. Several Chinese cities were on the long-list. Xi’an, boasting rich reserves of human capital, world-class infrastructure and competitive utility costs (the city’s water and electricity bills are the lowest in China, another tangible benefit for inward investors), ultimately won the day.

The first stage of Samsung’s massive new plant, which will make products including memory chips, will open in early 2014. Samsung’s investment surprised many elsewhere but few here. Already a great cultural hub, Xi’an can now claim to be a great Chinese and global municipal economic powerhouse. This is a city on the rise.
Going with the flow
And it’s not just human resources that cost less here. Water and energy bills are lower here than in any other Chinese city, thanks to a brace of benefits no other municipal- ity can offer. The first is a surplus of pure energy: Shaanxi province surrounding Xi’an is blessed with an abundance of coal. The second is water. Though Xi’an is a dry city with minimal rainfall, it lies north of the beautiful Qinling mountain range, which acts as a dividing line between (water-rich) southern and (water-poor) northern China. Fortunately, all rivers flow north here, making Xi’an “the only major city in central or western China that doesn’t have a water-shortage problem”, according to HIDZ’s ChenHui.

Xi’an is also a surprisingly diverse economy - surprising, because of the rapid changes wrought in recent years. City leaders have built on the sturdy commercial foundations provided by profitable industrial and high-end engineering sectors. In recent years, the creative arts have become one of the city’s fastest-growing industries, represented by a thriving new media business. Gaming companies, digital media specialists and producers of films and television shows are all setting up shop here, further encouraging investment by curious and ambitious local and foreign corporates and entrepreneurs.

“There’s a constant inflow of very well qualified people who are looking to come back here and settle down”

This creativity, based primarily in three zones – Xi’an Hi-Tech Industries Development Zone (HIDZ), Xi’an Qujiang New District and Chan-Ba Ecological District (CED) – has also resulted in capital flowing into R&D projects. Indeed, it’s hard to walk around town without bumping into some- one employed to think clever things and design innovative products.

Few companies have channelled more capital into new product design than the US technology giant Emerson. From just 20 staff in 2006, the firm now employs 700 in Xi’an, four-fifths of them directly involved in R&D, says Feng Xiaobo, director of operations management at Emerson Network Power (Xi’an). “We’ve invented a number of new products here, and most of the products designed here, such as precision industrial air conditioners, are sold on the world stage.”

Feng says the decision to expand R&D operations here – total invested capital in new goods and services had jumped to $8 million a year by 2012, from $2.8 million seven years ago – was an easy one to make. “Xi’an is bursting with easy-to-reach talent, and full of really good colleges and technical universities. Plus, operational costs here are so much lower than they are in Beijing or Shanghai.”

More than 100 universities and technical colleges dot the city, including Xi’an Jiao- tong University, one of the country’s most prestigious engineering and technical insti- tutes. Jiaotong is one of the many colleges targeted every year by talent-hungry firms like Rexroth, which has 90 people involved in full-time R&D here, developing new frequency converters for motors. Baulig says the firm makes several hires each year straight out of Xi’an’s myriad colleges.

And the city is investing heavily in edu- cation right down the value chain, cater- ing to the demands of local and foreign white-collar workers. Xi’an has more than 50 private learning institutes, including Xi’an High-Tech International School, which boasts students from 15 countries, notes principal Wang Zhihong.

Financial hub
Financial services are also a growing industry. Xi’an will never be a Shanghai or a Hong Kong. Chinese cities built atop a broad foundation of national bourses, banks and brokerages. But it is keen to become a regional finance hub, and

All roads lead to Xi’an
Two thousand years ago, all roads went through Xi’an. Back then, the city was called Chang’An, one of the world’s four great ‘ancient capitals’ and a key destination along the Silk Road. From here, traders could branch out southeast to the Chinese seaboard, south to the Indian Ocean, and west to Persia, Africa, the Mediterranean and beyond. Thirteen Chinese dynasties, including the great Qin, Han and Tang, called Chang’An their home.

Modern Xi’an, in its own way, isn’t so different. The emperors have gone, but the glory remains, as does the sense that all roads, again, lead here. This wasn’t always the case in China’s recent his- tory. When China’s opening-up process began in 1979, party leaders logically decided to begin by rebuilding in coast- al provinces. But over the past decade that strategy has shifted, culminating in the ‘Go West’ campaign, which aims to direct inward investment into central and western provinces like Shaanxi and its capital Xi’an.

Getting transport right
But this strategy would mean nothing without transport. Too many countries seek to attract inward investment first, building out infrastructure later, to the frustration of investors and residents alike. China, in general, and Xi’an, in particular, haven’t made this mistake. The best way of viewing Xi’an’s first-class transport system is to place it against the context of need and history. In 1956, US President Dwight Eisenhower approved the Interstate Highway System (IHS), a coordinated effort to carpet America with freeways. The plan, at $425 billion, was expensive, but it quickly paid for itself, enmeshing states’ economies with one another and boosting econom- ic output and efficiency at all levels.

In its own way, China has done much the same thing over the past decade. Highways have been built, notably in the years following the financial crisis, when Beijing encouraged state banks to fi- nance nationally coordinated infrastruc- ture projects. Like Eisenhower’s grand plan, China’s infrastructure boom has cost a lot and generated extraordinary economic and financial benefits. One renminbi spent is 10 earned.

Nowhere is that more true than in Xi’an. Nine highways now criss-cross the city, linking Xi’an with northwest and southwest China. Zhengzhou, capital of nearby Henan province, is now two hours away by high-speed rail, a journey...
indeed is well on the way. Most banking activity will take place in the CED, says the zone’s vice director general Cheng Bin. “Our plans include the creation of a stock market to serve western and northwestern China, and to ensure that Xi’an provides a strong financial platform to all corporations here, from multinationals to SMEs [small- and medium-sized enterprises].” Officials including Cheng are building a financial services hub within CED, hosting up to 30 financial institutions and set to be completed by 2015.

Few companies will struggle to find financing and banking support. Most major Chinese banks are here, along with city-based lenders like Bank of Xi’an. Global banks are also present, including the emerging-market-focused HSBC and Standard Chartered. It’s little wonder then that the added value of Xi’an’s financial services sector rose to Rmb31.16 billion in 2012, comprising of 7.1% of its total GDP.

Another leading lender benefiting from Xi’an’s robust economy and local demand for basic and complex financial services is Hong Kong-based Bank of East Asia (BEA), which became the first non-mainland bank to set up shop here in 2001. BEA provides a vast range of standard banking services, a spokesman said, including deposits and loans, but also more complex hedging and treasury services, and letters of credit. Target customers include SMEs, wealthy individuals and large private enterprises. BEA’s spokesman added that along with its myriad geographic and industrial advantages, Xi’an has also become a “complete” and diversified industrial city, focusing everything from chemicals to aerospace and high-end machinery to food and beverages.

With so many smaller, high-tech or high-growth companies now peppering the landscape, Xi’an’s leaders are also understandably keen to encourage them to borrow to help them grow. China’s new generation of leaders is keen to get more banks lending to the growing army that recently took six hours. Southwest-ern cities Chengdu and Chongqing are three hours by rail, down from eight.

A recently expanded airport, Xianyang International, which added a second runway and a third terminal in 2012, now processes 23 million passengers a year, up from 3 million a decade ago. Little wonder Jason Cao Zhe, vice director of the investment promotion bureau at the state-level Xi’an Aerospace Economic & Technological Development Zone, describes the city as the “gateway to the west”.

Part of the whole

But where Xi’an really excels is in terms of its overall coordination. Infrastructure is viewed by city leaders as part of the whole, rather than a series of separate projects or structures. And it’s that thinking that allows producers to get goods to buyers quickly, easily and efficiently. Take the city’s railway container terminal, which allows produce shipped into Xi’an from eastern Chinese ports to be offloaded and processed immediately. Only after goods are processed through the Xi’an International Trade & Logistics Park (ITLP), itself about to get a major upgrade, do importers pay tariffs and exporters claim export tax rebates, a process that has slashed logistics costs for investors and corporates, notes Li Pingwei, deputy director of the ITLP’s administrative committee. The park is home to global logistics industry leaders such as Singapore’s CWT and Japan’s Nippon Express. Li sees a future in which Xi’an, like the US cities of Memphis and Louisville, becomes a national and global transportation hub.

Then there is road haulage. Xi’an is an increasingly vital transport hub, with goods imported, processed and export-ed across the country – and the world. That explains why party leaders decided to build Xi’an Highway Port, emulating the railway container terminal but catering for road haulage companies.

“The port acts as the city’s highway transportation centre, containing warehouses that allow trucks to park, cargo to be loaded and unloaded, and goods to be processed for local use or shipped across the country or the world,” says Yang Anding, director at Xi’an Economic & Technological Development Zone. “It’s a huge improvement on the city’s logistical capabilities.”

Two thousand years ago, the world came to Chang’An, one of the great centres of the Silk Road. Now, the economic world is coming back again, this time to visit the great modern metropolis of Xi’an. And it likes what it sees.
Wonder of the world

Few cities can claim the weight of heritage and culture on offer in Xi’an. To many visitors Xi’an is, first and foremost, the home of the Terracotta Army, buried under the city’s rich soil in the 3rd century BC by the great emperor Qin Shi Huang. No one who sees this silent funerary army, stretching out to the horizon in protective formation, will forget the experience.

Yet to those who live and work here, Xi’an is far more than a one-hit wonder. This is a city whose allure grows with every visit. Nor does the array of attractions available to visitors, workers and residents ever seem to pall. If you can’t find something good to do here, you just aren’t looking hard enough.

Let’s start in Xi’an, with the wall that encircles it. The biggest and most complete of its type in the world, it’s 12 metres high and 15 metres wide, with a total length of 14km. Start the weekend, as many do, climbing the ramparts to walk or cycle the full length of the wall, gazing as the sun comes up over the Drum and Bell towers. Another key destination is the great Dayan Pagoda, an extraordinary Buddhist landmark and the centerpiece of the city in centuries gone by.

All of this is vital to the city’s heritage and prestige, notes Shao Zhengrong, vice director of Xi’an Qujiang New District (QND) administrative committee. Founded in 1996, QND is responsible for “creating and supporting culture and tourism, both of which are pillar industries here.” Shao says. QND officials are keen to draw more foreign investment into the city in both sectors, whether in the form of new hotels – major international chains like Starwood, Banyan Tree, Hyatt and Westin are already here, and more are coming – or in sectors like exhibitions and conferences, film-making, publishing and cultural innovation. QND, pristine, green and clean, was recently handed the prized award of being China’s most liveable residential area, and was upgraded to a state-level eco-zone.

Natural beauty
But it’s just outside the city walls that the natural beauty starts. Xi’an is a meteorological and topographical marvel. The Qinling Mountains, 25km to the south, cover hundreds of square kilometres, some dotted with well-worn trails, others providing the more adventurous with genuinely ‘wild’ exploration opportunities. Those in search of altitude can choose between a plethora of peaks, from Cuihua in the Qinling range to Huashan, one of China’s five holy Daoist peaks. (More sedentary souls can take the quicker route to the top of Huashan, via a handy cable car.)

This is where the weather systems of south and north China collide. Rain falls here but rarely ventures farther north. This makes Xi’an a dry but well-watered city (great for companies that need a lot of water and power) that also avoids extreme weather patterns, offering workers a salubrious living environment.

For workers here, Xi’an’s myriad attractions offer both wonderful diversions on evenings and weekends, and a great reason to move here in the first place. Everyone wants a job, after all, but people also want a life, and the city’s robust economy and rich cultural diversity and heritage offer both in spades. Xi’an has plenty of appeal to casual visitors and permanent workers: many come, but few depart.

Talk to white-collar workers and you hear the same refrain. Martin Baulig, a marketing manager, moved to Xi’an in 2010 when his employer (Rexroth, part of Germany’s Bosch group) snapped up two local companies. He loves his life here, touting the “great bars and night clubs” and the fine range of cuisine, offering workers a salubrious living environment.

Amenable, accessible
Xi’an has a compactness that makes it easy to get around. Notes Rexroth’s Baulig: “It’s not a huge city end-to-end. It’s big but it’s accessible, and it’s easy to get around.” Transport is excellent, from the growing light rail network to the patchwork quilt of highways that encircle the city and glue the various development zones together.

Those keen to see how city leaders are attracting fresh inward investment while making Xi’an a better place to live should look no further than the Chan-Ba Ecological District (CED). A vast plot of land in the east of the city, covering nearly 130 square kilometres, this is both one of the great sources of Chinese civilization, and where the Chan and Ba rivers meet before flowing into the great Wei river.

By 2004 the district had grown pollu- luted, its waterways clogged with weeds and litter. “It was like a dustbin,” notes Cheng Bin, vice director general of the CED’s administrative committee, one of the officials who set out to regenerate this lost area. Forests were planted, rivers dredged and replenished, polluting factories were cleaned up or relocated. The result is a mini-Utopia blessed with clean air and water. Cheng notes with pride that more than 200 types of birds are now spotted here, up four-fold from a decade ago.

Chan-Ba’s revival is another exam- ple of how officials are striving to make Xi’an more liveable – and to encourage workers and investors to invest in, and re- locate to, this great city. They are clearly succeeding. Whether cycling atop the city walls, climbing the great peaks or wandering in Chan-Ba’s pristine wet- lands, Xi’an is a great place to live your life, and to enjoy your work.
Creativity and culture

In recent years, Xi’an has developed into one of China’s most creative and innovative high-tech municipalities. Once renowned for being the home of emperors and terracotta warriors, Xi’an is now as important, in terms of technology production and R&D, as any Chinese megacity.

Development zones devoted to attracting the world’s best brains and most creative corporates dot the city. Xi’an’s Hi-Tech Industries Development Zone (HIDZ), formed in March 1991, has since become one of the country’s top six technology and science parks. More than 18,000 enterprises are based here, including 84 Fortune 500 firms, generating combined revenues of Rmb680 billion ($111 billion) in 2012. William Chen Hui, deputy director general of HIDZ’s administrative committee, tips that figure to jump 30% this year to Rmb880 billion. The zone is also the largest in western China, boasting multinational investors like GE, Siemens and Toshiba. Samsung is building a $7 billion factory in the zone, as part of its capacity for innovation.

But this is about creativity as well as size. Chen Hui points to the zone’s “extraordinary capacity for innovation”. The zone is blessed with 22 business incubators, fostering 2,000 small- and medium-sized enter-prises (SMEs), with around 17 new companies created every working day in 2012. Xi’an-based corporates also applied for no fewer than 23,000 patents last year.

And the zone continues to grow and suck in more capital and talent. Chen Hui points to four pillar industries, beginning with technology (software development, integrated circuits and telecommunications) and progressing through high-end automation and engineering products, pharmaceuticals, aviation and aerospace, to new energy products like light-emitting diodes (LEDs).

Going forward, the zone also plans to boost its presence in the design and production of smartphones, tablets and megaservers designed to meet cloud computing demands. That, says Chen Hui, helps explain the sizeable investments made in recent years here by the likes of Qualcomm, Ericsson, Vishay Intertechnology and Applied Materials. US semiconductor device maker Micron Technology is finalizing plans to more than double its overall investment here to $700 million.

Getting creative

Xi’an is also fast branching into the sort of creative industries usually more directly connected with cities like London, Seoul and San Francisco. “Creative arts is a big and growing industry here,” notes Shao Zhengrong, vice director of Qujiang New District (QND) administrative committee. Covering 40 square kilometres, QND is now nearly 20 years old, but a shift toward more innovative, digital products began in 2007. Since then, more than 2,200 creative enterprises have set up in, or shifted their main production facilities to, the district. QND has launched a series of pioneering policies designed to boost the development of the creative arts, and has become a key national incubator promoting China’s cultural sector.

More than 2,000 television series have already been filmed here, along with 30 films and documentaries. Gaming companies are increasingly attracted to the city and the zone. So, increasingly, are advertising and media firms as well as post-production specialists. Enterprises are attracted by low tax rates – business taxes average out at around 15%, or around 10 percentage points lower than the national average – as well as a beautiful natural environment, and the presence of a high-end cultural scene that includes theatre, opera and the performing arts.

Finance is also more readily available: SME-focused lenders like Bank of Xi’an, as well as domestic and international private equity and venture capital funds, are tacitly targeting fast-growing corporates across the zone. Xi’an’s credentials as a centre for the creative and performing arts are in turn generating a ‘cluster-ing’ effect: the more creative companies the city attracts, the more that want to be here. Little wonder the US magazine Foreign Policy has tipped Xi’an to be one of the world’s top 25 dynamic cities by 2025.

Small is beautiful

One of Xi’an’s clear aims – to foster the development of SMEs, and to encourage smaller firms from every country to invest here – is clearly paying off. Chan-Ba Ecological District (CED), a vast new ‘green’ park in the east of the city covering nearly 50 square miles, has put together “very favourable policies” for SMEs, says the district’s vice-director general, Cheng Bin. Smaller firms setting up in the CED pay 50% of local income taxes (though full national rates still apply) and can also claim a 50% rebate on land rental costs at the end of the financial year.

The next stage, says Cheng, is to develop CED into western China’s low-carbon centre, a clean-and-green zone attracting investment in sectors like leisure and tourism, theme parks, logistics, publishing and media, exhibitions and conferences. The latter is another fast-growing industry here, with Xi’an set to host the three-day biennial Euro Asia Economic Forum in September 2013. Finally, there’s another growth sector: foreign relations.

Business, indeed, is growing so fast in this part of western China that cities are vying to become home to international consulates. Xi’an is planning to set up an embassy district in the CED, pending approval by central government, another way this great city is planning to stay ahead of the competition.
of smaller enterprises. HIDZ’s ChenHui says his zone directed Rmb30 million in grants to SMEs last year alone, helping the companies in turn raise Rmb4 billion in fresh bank loans.

Diversity and diversions
And let’s not forget that, first and foremost, this is a wonderful place to do business in, and to live in. Xi’an is filled with wonderful and arresting diversions, from the Terracotta Warriors to the dreamlike Qinling mountains to the great Dayan Pagoda. There simply isn’t enough time in the day to see it all. From residents to workers to potential investors, few can fail to be moved.

And in terms of pure commercial allure, it’s hard to do better than Xi’an. The city stands literally at the country’s heart, at an ancient crossroads that links north with south, east with west. ETDZ’s Yang accurately describes Xi’an as the “heart of the region” and the “Gateway to the West”. Rexroth’s Baulig notes that Xi’an provides direct access to a “massive market”, with nearly half of all Chinese people living within a day’s journey by road. A high-speed rail network links the city’s producers of goods and services efficiently with the great ports of the east, and thus with every market on the face of the planet.

In former times, Xi’an was the heart of the world. All roads, it seemed, went through the ancient city of Chang’An, as it was known to successive dynasties. Greatness was misplaced for a while, but not misplaced entirely. Investors are returning in their hordes from across the world, and it isn’t hard to see why. At the crossroads of China, a great commercial city is rising again.

Economy and endeavour
Xi’an is blessed with a plethora of development zones: more than eight and counting, all successful in their own right, each with its own ambitions and aspirations.

There is something here for any incoming corporate investor, in virtually any sector. Take the Economic & Technological Development Zone (ETDZ), founded 20 years ago as part of a far-sighted plan by officials to open up the city. Every few years, the ETDZ has added a substantial tangible feature, becoming a national-level economic zone in 2000 and western China’s first export processing zone two years later. The long-term aim, says director Yang Anding, is to “develop ETDZ into a world-class development and economic zone” with the ultimate ambition of turning Xi’an into a “world-class industrial and economic and commercial hub”.

Both plans are clearly on track. More than 18,000 companies have set up shop in the zone already, with more arriving every year. In 2012, total industrial output topped Rmb156 billion ($25 billion), the vast majority generated by leading multinational companies.

Virtually the entire spectrum of an advanced industrial economy is represented here. The Jing Wei New Town, embedded in the zone and covering 88 square kilometres, is home to a broad selection of leading manufacturers from around the world, including Chinese auto maker Shaanxi Automobile Group and South Korean conglomerate SK Group, a major player in the medical equipment and machinery sectors.

The zone’s future expansion plans are equally impressive. Civic leaders, building on the city’s central position on the map, as well as its salubrious living conditions, cheap energy and water bills, and abundant reserves of cost-efficient human resources, are pushing hard into new industries.

To that end, Xi’an is rapidly building out its electronics, publishing and printing industries. Another key sector is food and beverages – major investors include Coca-Cola and France’s Danone. The latter recently boosted its total investment in Xi’an to $160 million, with the aim of pushing annual revenues generated from its local operations past $200 million.

Making business easy
Wherever you look here, there are tales of corporate success. Simply put, Xi’an, a great place to invest, is also a fabulously easy place in which to do business, thanks to an army of diligent local government officials. Xi’an International Trade & Logistics Park (ITL) is a case in point. There are reasons why logistics specialists like Singapore’s CWT and Japan’s Nippon Express, and industrial giants like Tata Steel of India, are attracted to the park.

The zone’s deputy director, Li Ping-wei, describes ITL as an “international inland logistics hub” serving the whole of
Xi’an: China’s economic heart

Engineering at the high end

Last but far from least, this is a city that marries industrial production and fast-moving consumer goods with high-end engineering. "We are China’s aviation capital and one of the country’s largest national aerospace centres, and have been for more than 60 years," notes Jason Cao Zhe, vice director of the investment promotion bureau at the provincial-level Aerospace Economic & Technological Development Zone (AETDZ).

Chances are, if you catch a glimpse of China’s new generation of Shenzhou spacecraft or a ‘Long March’ rocket on television, you’re looking at something fully designed and assembled in Xi’an. Most of the component products in a Shenzhou craft are made here, from solar panels to propulsion engines to integrated circuits.

The pure aerospace sector is largely out of bounds to foreign investors, but multinationals are major component suppliers, as well as key partners in China’s budding aviation sector. Little wonder the likes of Boeing and Pratt & Whitney of the US, Britain’s Rolls-Royce and a host of related foreign aviation specialists are based here.

Thanks to its position at the heart of China’s western high-speed rail network, and a key junction linking Beijing and coastal regions with the far northwest, Xi’an has also fast become a major hub for train manufacturing and technology. High-end products, from control systems to air-conditioning systems for China’s fastest trains are now designed and made here.

And there’s more. Xi’an is focused on becoming a major future designer and maker of satellite applications and technology. Companies are streaming into the China-Canada Satellite Telecommunications Industrial Park, a huge joint venture between the two countries. Little wonder Xi’an is fast becoming one of the economic and technological wonders not just of China, but also of the whole world.

western and northwestern China. Road freight gets processed and reshipped or badged for consumption in the city’s Highway Port. A world-class railway container terminal, set to expand in the coming years to 3.2 million TEUs (20-foot equivalent units), allows manufacturers to produce and ship products around China (or export them) with ease.

Nor are the zone’s leaders satisfied with progress already made. Plans are constantly assessed and realigned. Future ambitions include creating the biggest international inland port in China, building a modern production service centre and consolidating Xi’an’s position as one of the beating hearts of China’s modern service sector. “Logistics is at the heart of everything we do here,” notes Li. This far-sighted view chimes with long-standing plans to link China by rail with Central Asia and, in time, Europe, helping trim global freight costs. In this context, Xi’an’s position at the economic and logistical crossroads of global trade becomes ever clearer.
If you want to acquire the latest investment information on Xi’an city, please contact:

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