

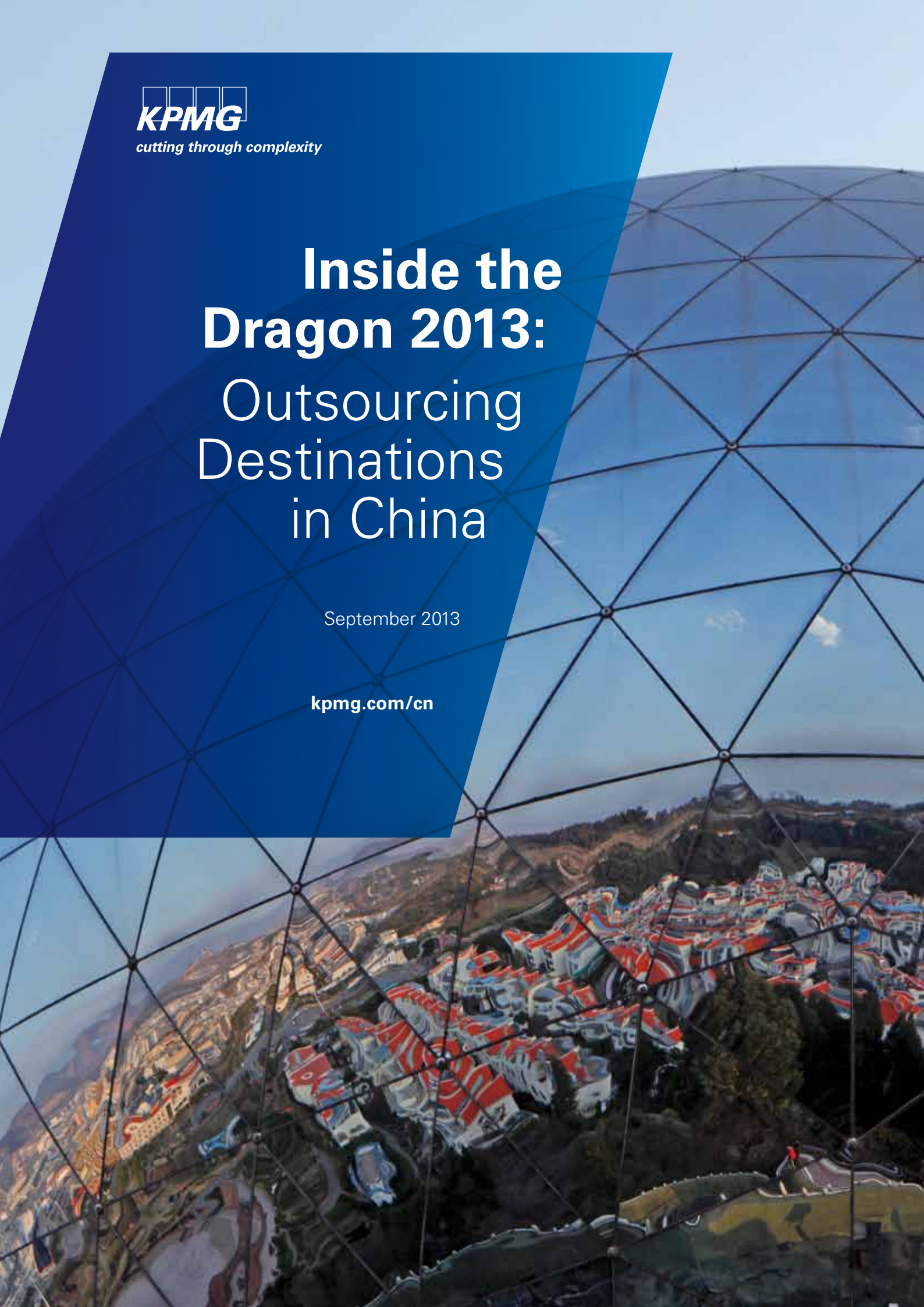


cutting through complexity

Inside the Dragon 2013: Outsourcing Destinations in China

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Foreword

Since our inaugural edition of 'Inside the Dragon' in 2010, which outlined the many attributes of outsourcing destinations in China, the services market within China has evolved significantly. As predicted, the growth of China's Shared Services and Outsourcing (SSO) industry has become a key part of the growing services market within China's domestic market, and continues to be a strategic focus area for the Chinese government. At the end of 2012, China's SSO industry stood at USD 46.5 billion, and this is anticipated to double to USD 85 billion in 2015. The fact that the number of cities in this report has risen from 21 to 29 is testament to the government's unwavering focus.

China continues to aggressively position itself as a top SSO destination and is making an effort to "industrialize" this sector. This has created a strong, domestically focused industry as well as an increasingly viable global and regional hub option. With sustained favourable economic conditions in Asia, particularly in China, organisations are being far more strategic when matching their different strategic objectives to relevant locations.

This report begins by highlighting some emerging themes and shifts in focus of the Chinese SSO market.



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Continuing market growth and value expansion

India's dominance in the global SSO market has been due to capturing global offshore demand. However, this now includes a focus on developing the domestic market to capture some of the growth of Indian companies. China has learnt from India's success, but is mapping its own path. China's approach has been to target its vast domestic market to build its domestic SSO sector. This sector has made tremendous headway and is now poised to expand to support the overseas ambitions of Chinese domestic organisations. As China's domestic SSO market consolidates these changes, China will also start to capture more global offshore demand.

Part of this SSO growth includes moving up the value chain. The low skill, high volume tasks with little added value service landscape is being reshaped – capabilities for high-end services such as finance analytics, animation, R&D and actuarial across various verticals are being built up and this is demonstrated throughout this report.

Development trends

The Chinese Government has also taken great pains to improve geographic capacity and capabilities. This has been achieved through the strong development of Tier 2 and 3 cities as the Tier 1 cities have become overcrowded and expensive. Furthermore, the government has encouraged the movement of people and business westward and towards the interior, away from the bulging metropolises on the east and coastal regions. The western region is just starting to take off with explicit economic shifts in terms of development dollars and as a result of infrastructure projects, which started to ramp up in 2012.

In addition, China's SSO cities are trying to differentiate themselves by focusing on specific services and markets. For example, Dalian in Northern China capitalises on its established software enterprises to focus on IT services as well as its supply of Japanese and Korean speaking professionals. Guangzhou and Shenzhen in Southern China are exploiting their geographical proximity to Hong Kong and Southeast Asia by developing strong manufacturing and processing industries. Organisations will need to prioritise and closely match their requirements in order to find the right location fit.

China's investment in Cloud and the growth of the digital workforce

With singular determination and visionary ambition, the Chinese government is building a 'fit for purpose' market foundation to support further anticipated SSO growth; its mounting influence over global innovation will further propel this. China's plans to invest RMB 154 billion in Cloud infrastructure over the next five years will be a game changer. Five Cloud cities have already been set up and another 20 are in the pipeline. We expect that this expanded communication capacity will stimulate further growth in both the supply and demand sides of China's SSO industry.

A recent KPMG study¹ revealed that global workforce habits are rapidly changing due to the high adoption rate of digital devices. China topped the list with nearly double its workforce owning a digital device compared to all other countries. This is likely to result in enabling flexible working styles and new SSO models like Crowdsourcing and Unsourcing to proliferate.

Rising middle class and costs: cause for concern?

Amidst all these positive factors encouraging outsourcing to China, there are some challenges to consider. China's burgeoning middle class (currently estimated at over 300 million, which is just as large as the entire population of the United States) and increasing affluence has created rapid price inflation and demands for higher salaries and better working conditions. Organisations need to acknowledge that China as a SSO destination is not a pure cost play; instead, there are several factors that can support their long-term strategic ambitions.

¹ Driving Strategic Value: China Shared Services and Outsourcing in the Extended Global Enterprise

Message from our Global SS&O Leader

The market for global business services – shared services and IT and business process outsourcing delivered across the globe – has changed dramatically over the past 15 years. It has become the norm for Western businesses to utilize this model to deliver rote and transactional back-office services at a lower price point. Increasingly, however, they are employing this model for more specialised work as well, not just mid and front office services. Cost cutting has become “table stakes” as firms utilising global business services increasingly seek more strategic benefits from their efforts. Firms are also more intent on integrating their global efforts across geographies, functions and business units, between SSO efforts, and on a more end-to-end process basis. This is shifting the dynamics of what are deemed the “best” SSO locations and who the preferred providers are. India and Indian-based services providers have become major players in the market, but legacy Western-based providers have also embraced global delivery models and footprints, and new regions and regional players are emerging to compete against vested Western and Indian providers and the Indian market.

Nowhere is this truer than in China.



David Brown

Global Leader, Shared Services &
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KPMG client engagement and market research, such as State of the Outsourcing Industry 2013 finds buyer appetite for global services continues to grow, despite market rhetoric about insourcing, onshoring, and pushing up services trade barriers. More enterprises view global business services as a mission-critical framework for their future operating model. China – both as a market and base for emerging service providers – has a great opportunity to meet that demand by delivering business and IT services across both local and global markets. The level of talent, the quality of the infrastructure and the commitment from the government provides China the core capabilities to compete.

Three primary factors provide China with a potential competitive edge in the global SSO sphere:

Cost & Industry Transformation

Cost is not just limited to labor costs; it includes costs across areas such as infrastructure and facilities. For example, the Chinese Government through the Ministry of Commerce, is highly engaged in growing outsourcing and its industrialization of SSO. There is a significant commitment to building the necessary infrastructure, providing favourable business and tax policies, and motivating the economic transformation from a manufacturing-based industry to a service industry.

Talent

As the Chinese Government's focus is on the service industry and the industrialisation of the SSO sector, there have been significant improvements made in developing talent. Each year, there are almost 7 million graduates across China's universities. In order to target and incentivise them, many SSO service providers and enterprises now provide training to students via formal internship programs. Universities are also developing specific SSO courses and subjects. Various levels of government have introduced incentives to attract and retain talent in this area.

Risk

One typically cited concern when doing business in China is the risk of intellectual property (IP) issues and related concerns regarding the exposure of private or sensitive data in the market. China has launched a public campaign to crack down on IP theft. It has also introduced new guidelines on data privacy protection. In another measure of progress, the number of ISO 27001 certifications in China has tripled since 2008. While further improvements still need to be made in this critical area, progress has been significant and is certainly moving in the right direction.

As Western firms continue to enter the Chinese market to sell their goods and services, they need access to competitive and flexible back, middle and front office operations, and they are typically more intent on engaging third parties instead of building their own operations. China, as a services hub for the West, is compelling; however, more immediate, China for China is highly lucrative. China's rising importance in global outsourcing is unmistakable. With a growing number of companies expanding outsourcing and using a global business services framework, China is well-positioned to catch the next wave of outsourcing.

Introduction

This report highlights many of the attributes of China's outsourcing destinations. In this second edition, we now profile 29 cities as key SSO locations that are servicing both domestic and global organisations alike. We have seen these cities evolve and many of the locations are becoming 'famous' for specific areas of expertise, i.e. Design in northern China and Finance in China's east. Other locations in the south have developed into providing a broad range of services to all industries and building huge delivery centres that deliver to every part of the business. In this report, we have seen an increasing array of new services spanning from the more traditional, back office services to areas such as gaming and e-commerce; this clearly reflects the ongoing investment focus by the Chinese Government and where Chinese citizens are spending money. Below is an example of the types of services that are now offered:



Report guide

The intention of this report is two-fold: 1) provide readers with a solid introduction to the key outsourcing cities in China; and 2) use the report as a reference point when embarking on a review of key locations in China. For each two-page city profile, we provide details on the following broad topics:

Service Trade

The state of the wider service industry

Service Outsourcing

The state of the local outsourcing market

Available Incentives

Overview of the local government and the related incentives available to the SSO market

Infrastructure

Overview of the physical infrastructure and services locally

Human Resources

A view of the local educational establishment and the broader skills and labour available

Quality of Life

Examining local economics and the more qualitative elements of that location, e.g. green areas and initiatives

We are confident this report will enhance understanding of China's SSO capabilities in and around this fascinating and rewarding country.

China

Key macroeconomic indices for 2012:

- GDP: RMB 51,932.2 billion
- Per capita GDP: RMB 38,354
- CPI: 2.6 percent
- Unemployment rate: 4.1 percent
- Annual urban per capita disposable income: RMB 24,565



Profile¹

Area: 9,600,000km²

Population: 1,354,040,000 (2012)

Capital: Beijing

Time zone: GMT+0800

Languages: Chinese and English

Currency: Renminbi

Annual average forex rate of RMB against USD: 6.2855 (2012)

2013 ratings and forecasts for China²

S&P's long-term sovereign credit rating	AA-
S&P's foreign currency transfer and convertibility rating	AA-
Investment environment ranking	91

Administrative divisions

- China is divided into 23 provinces, five autonomous regions, four direct-controlled municipalities and two special administrative regions. Locally elected people's governments are under the Central People's Government. Local investment environments vary as a result of different government policy approaches. In general, the governments make regional fiscal and tax preferential policies.

Business and investment environment

- **FDI:** In 2012, the number of newly approved FDI entities in China totalled 24,925, down 10.1 percent compared to 2011. Its actual utilised FDI capital reached USD 111.72 billion, down 3.7 percent from 2011.³
- **GDP growth:** In 2012, China achieved 7.8 percent GDP growth and plans to grow at a rate of 8 percent in 2013.¹
- **Inflation:** In 2012, China's CPI increased by 2.6 percent. In 2013, China will face greater inflationary pressures.³

Present state of the service outsourcing sector

- In 2012, 144,636 service outsourcing contracts were signed with a total contract amount of USD 61.28 billion, a year-on-year increase of 37 percent and triple the amount compared to 2009. The executed amount was USD 46.57 billion, a year-on-year increase of 43.8 percent and 3.4 times the amount in 2009. Included in this, the value of international service outsourcing contracts was USD 43.85 billion, which is a 34.4 percent year-on-year increase or three times more than in 2009. The executed value was USD 33.64 billion, a year-on-year increase of 41.1 percent or 3.3 times the amount in 2009.
- ITO is still the main outsourcing service. In 2012, ITO, BPO and KPO accounted for 56.1 percent, 15.5 percent and 28.4 percent of the service outsourcing respectively. The outsourcing orders mainly came from the US, the European Union and Japan. In 2012, the executed amounts of outsourcing orders from the US, the European Union and Japan were USD 8.94 billion, USD 5.46 billion and USD 4.83 billion, accounting for 26.6 percent, 16.2 percent and 14.4 percent of the total executed amount respectively.
- The scale of employment in the service outsourcing sector continues to grow. By the end of 2012, there were 21,159 service outsourcing enterprises with 4.29 million staff members. Of these, 2.91 million had a bachelor's degree (including a three-year associated degree), accounting for 67.8 percent of total employees. It is predicted that the domestic and overseas service outsourcing markets will continue to grow rapidly in 2013, and will reach between USD 80 billion and USD 90 billion, a year-on-year increase of 40 percent from 2012.³

- During its 11th Five-Year Plan, China achieved great success in developing the 21 Service Outsourcing Model Cities. With market guidance and government support, these cities were able to pool their resources and make good use of economies of scale. The main development indices of these 21 cities had a higher rate than the average value of all other cities in China, contributing 95 percent of China's international service outsourcing contracts executed. This is testimony to the success of the Service Outsourcing Model Cities.

Government incentives

- Chinese government ministries have announced more than 20 policies to support the development of the international service outsourcing industries, including financial and tax policies, talent training, employment of graduates, special working hours, custom governance, telecom services, financial support, intellectual property protection, and investment promotion. The economic burden on enterprises is alleviated as the government continues to implement policies and provide services which create a friendly business environment for undertaking the transfer of international service outsourcing industries and helps to rapid development of this industry.⁴

Use of the report

- 1) The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.
- 2) The exchange rate used herein is the average rate for 2012: USD 1 = RMB 6.2855.
- 3) The population figures refer to the cities' current *de jure* population.

¹ National Bureau of Statistics of China, www.stats.gov.cn

² World Bank, www.worldbank.org; S&P, www.standardandpoors.com

³ Ministry of Commerce of the People's Republic of China, www.mofcom.gov.cn

⁴ China Sourcing, <http://chinasourcing.mofcom.gov.cn>





Northern China cities

Beijing

Dalian

Daqing

Harbin

Jinan

Qingdao

Tianjin

Beijing

City profile

- Beijing is the capital of China and one of the four key municipalities directly under China's Central Government. It is a world-renowned historical and cultural centre and ancient capital.

- Beijing is China's political, economic, cultural, educational and international exchange centre, and is an important air traffic, railway and highway hub for China.



Overview¹

Geographical location: Beijing is located north of the Huabei plain, bordered by Tianjin to the south-east and surrounded by Hebei province in other directions.

Climate: Warm and semi-humid continental monsoon climate
Annual average temperature: 13.4°C (2011)
Annual average rainfall: 720.6mm (2011)

Population: 20,693,000 (2012)

Key industries: Finance, Electronics, Communication, High-tech, Education, Tourism

Service outsourcing

Key service outsourcing providers (outsourced services)

Microsoft (IT services)	VancelInfo (ITO & BPO services)
ICSS (IT services)	UFIDA (IT services)
Symbio (ITO services)	Star Softcomm (IT services)
Beyondsoft (ITO and BPO services)	Tata (IT services and BPO)
Capgemini (BPO)	

Key shared service centres (captive)

Siemens (International shared service centre)	Lenovo (International shared service centre)
Intel (Shared service centre)	Oracle (Shared service centre)
Microsoft (Shared service centre)	

Key research & development centres

Yahoo (Global development centre)	Intel (Asian application research centre)
Nokia (Mobile phone development and design centre)	France Telecom (Development centre)
GRG Banking (Traffic system development centre)	Procter & Gamble (Global innovation centre)
Sanofi-aventis (China development centre)	Sinopec Lubricants (Development centre)

Key financial back-office service centres

Do Think Real Estate	Anbang Insurance
China securities Co., Ltd	Minsheng Life
China National Aviation Holding Company	People's Bank of China

Source: Respective company websites

Some of the main contributing factors for Beijing becoming a favoured service outsourcing destination

- Beijing is one of the 21 State Council-approved Service Outsourcing Model Cities across the nation.
- In 2012, Beijing approved foreign invested contracts worth USD 11.35 billion, a 0.5 percent increase compared to 2011. The actual use of foreign capital reached USD 8.04 billion, a 14 percent increase over 2011. Of this, the Lease and Business Service industries accounted for 20.1 percent, while Information Transmission, Computer Services and the Software industry accounted for 16.8 percent.²
- By the end of March 2012, there were 116 multinationals with regional headquarters in Beijing, 76 of which were Fortune 500 companies. There were also 325 foreign invested R&D institutions, including Microsoft, Google and Nokia.⁵
- In 2008, the Beijing Municipal Government approved the Beijing Central Business District, Zhongguancun Science Park-Haidian Park, Zhongguancun Biopharmaceutical Industry Park, Zhongguancun Life Science Park, Beijing Call Centre Industry Base, and Beijing Economic and Technological Development Area to be Beijing's pilot service outsourcing zones. They focus on the International Finance, Culture and Media, Software Outsourcing, Biopharmaceutical, and Call Centre businesses.⁵

Present state of the service trade sector

- According to preliminary statistics, at the end of 2012, Beijing's service industry out performed all other cities in China with RMB 1,359.24 billion, exceeding Shanghai, which ranked second domestically, by RMB 153.2 billion. The GDP of Beijing's service industry accounted for 76.4 percent of the whole city's GDP.²
- By the end of 2011, Beijing's service trade sector was worth USD 90 billion, which accounted for nearly 20 percent of the domestic amount and around 1 percent of the global total.³
- It is predicted that Beijing's service trade sector will generate USD 120 billion by the end of China's 12th Five-Year Plan.⁴

Present state of the service outsourcing sector

- Beijing's service outsourcing sector has gradually switched from Information and Software Business to Biopharmaceutical, Financial, Telecommunication and Call Centre business.⁵
- In 2012, Beijing's offshore service outsourcing contract executions amounted to USD 3.56 billion, a 45.4 percent increase year-on-year. This includes information technology outsourcing (USD 2.52 billion), business process outsourcing (USD 690 million) and knowledge process outsourcing (USD 350 million), for which the implementation amount accounted for 70.9 percent, 19.3 percent and 9.8 percent respectively of the total amount. The top five offshore initiating countries were the US, Japan, Ireland, Finland and the Netherlands.⁵
- There are more than 400 service outsourcing enterprises in Beijing, with a total workforce of nearly 100,000 people.⁵

Related incentives for service outsourcing

- **Government policies:** In June 2009, the Beijing Municipal Government released *Opinions on Promoting the Service Outsourcing Industry in Beijing*, which included:
 - 1) Applying favourable tax policies to advanced technology outsourcing companies
 - 2) Providing financial support for talent training
 - 3) Providing financial support to expand the service outsourcing scope in the city
 - 4) Setting up a support fund for the service outsourcing industry in the city
 - 5) Further improving the foreign exchange management system and customs clearance model for service outsourcing enterprises.⁵
- **Industrial park policies:** Zhongguancun Software Park provides financial support to new and advanced technology companies for developing special areas. The funding is adopted on a subsequent subsidy basis, with the cap not exceeding 40 percent of the total investment amount for each project, or no higher than USD 720,000.⁶
- **Intellectual property policies:** In October 2005, *Regulations of the Beijing Municipality on the Protection and Promotion of Patents* was issued to protect, activate and promote innovation, and to maintain the order of a socialist market economy.⁷

Infrastructure

- **Office parks:** At the end of 2012, Beijing had a total planned area of 346.21km² for 19 development zones, including three national-level development zones, with Zhongguancun Science Park at the core of Beijing's science district. With a planned site area of 1.39km² and a construction area of over 0.6km², Zhongguancun Software Park consists of a business district and an R&D zone.⁸
- **Domestic and international traffic:** In 2012, the total road length in Beijing was 21,454km, with 923km of expressway and 6,282km of urban roads. Expressways such as the Beijing-Harbin, Beijing-Shenyang and Beijing-Shijiazhuang Expressways run through the city. Beijing is also the terminal for major railways such as the Beijing-Qinhuangdao, Beijing-Harbin, Beijing-Shanghai, Beijing-Kowloon and Beijing-Guangzhou lines. At present, the Capital International Airport operates over 200 international and domestic routes, and the city has 16 subway lines with an operating line extending 442km.²

- **Communication infrastructure:** By the end of 2012, Beijing had 8.832 million fixed-line users and 31.68 million mobile phone subscribers, including 8.555 million 3G subscribers as well as 5.72 million broadband users.²

Human resources

- **Education:** In 2012, Beijing had 56 tertiary institutions and 79 scientific research institutions educating postgraduates, with a total student intake of 87,000, a student population of 252,000, and 71,000 graduates. There were also 91 general universities with a total annual student intake of 162,000, a student population of 582,000, and 153,000 graduates.² In 2010, undergraduates in Beijing earned an average salary of RMB 1,937 per month.⁹
- **Scientific research:** In 2012, Beijing's R&D expenditure reached RMB 103.11 billion or 5.79 percent of the local GDP. R&D had employed 318,000 people, a 7.2 percent increase over 2011. The annual technical contracts signed amounted to 59,969, a 12 percent increase compared to 2011, with a total volume of transactions amounting to RMB 245.85 billion, a 30.1 percent increase over 2011.²
- **Training:** In 2009, the Beijing Municipal Commission of Commerce and the Beijing Municipal Commission of Education jointly certified two categories of training institutions. They certified 16 units, including Danei IT training group, which became the first batch of China's service outsourcing talent training institutions. In addition, six units, including VancelInfo, made up the first batch of China's service outsourcing talent practice base.¹⁰

Quality of living

- **Economic level:** In 2012, Beijing's GDP was RMB 1,780.1 billion, an increase of 7.7 percent over 2011. Urban annual per capita disposable income reached RMB 36,469, with an increase of 10.8 percent compared to 2011.² The average annual salary of full-time employees was RMB 75,834.6.¹¹
- **Natural environment:** In 2012, Beijing finished the forestation of 250km², with a green coverage of 46.2 percent.² There were also 286 days with good air quality in 2011.¹¹
- **Hotels:** In 2012, Beijing had 593 star-rated hotels, including 62 five-star hotels.¹²

¹ China Statistical Yearbook 2012, Beijing 2012 Economic and Social Development Statistics Bulletin, www.bjstats.gov.cn

² 2012 National Economic and Social Development Statistics Bulletin, www.bjstats.gov.cn

³ China Economic Herald, www.ceh.com.cn

⁴ Morning Post, www.morningpost.com.cn

⁵ Beijing Municipal Commission of Commerce, www.bjcc.gov.cn

⁶ ZPark, www.zpark.com.cn

⁷ Standing Committee of the People's Congress of Beijing, www.bjrd.gov.cn

⁸ China Sourcing, <http://chinasourcing.mofcom.gov.cn>; Beijing Statistical Information Net, www.bjstats.gov.cn

⁹ Beijing Human Resources and Social Security Bureau, www.bjld.gov.cn

¹⁰ China Sourcing, <http://chinasourcing.mofcom.gov.cn>

¹¹ 2012 China Statistical Yearbook, www.stats.gov.cn

¹² 2012 National Star-rated Hotels Statistics Bulletin (4th quarter), www.cnta.com

Dalian

City profile

- Dalian is a port city in Liaoning province and is the major gateway for China's north-east region.
- Dalian is one of the country's open coastal cities, and one of the most important centres for trade, industry and tourism.



Overview¹

Geographical location: North of the Shandong Peninsula, Dalian is located on the southern tip of the Liaodong Peninsula, east of the Yellow Sea, west of the Bohai Sea, and with the Dongbei Plain to the north.

Climate: Warm temperate zone and continental monsoon climate
Annual average temperature: 10.5°C (2011)
Annual average rainfall: 750mm (2011)

Population: 5,903,000 (2012)

Key industries: Petrochemicals, Electronic Information, Software, Advanced Equipment and Ship Manufacturing, Light Textiles/ Garments, Metallurgy and Construction Materials, Food, Medicine, Finance, Consultancy, Tourism

Service outsourcing

Key service outsourcing providers (outsourced services)

IBM (Software services outsourcing)	SAP (ITO services)
Dalian Hi-Think Computer (ITO services)	Genpact (BPO services)
Panasonic Software Development Centre (ITO services)	NTT (ITO services)
Neusoft (ITO services)	Sony (IT services)
TCS (Software services outsourcing)	Accenture (Software technology outsourcing)

Key shared service centres (captive)

Ernst & Young (Global shared service centre)	Adidas (Global finance shared service centre)
SoftBank (Shared service centre)	Pfizer (Global finance shared service centre)
HP (Finance shared service centre)	

Key research & development centres

Tasly Technological Centre (Basic research and industrialisation research)	Tianjin FAW R&D Centre (Design and test development)
Samsung R&D Centre (Integration of R&D and production)	Panasonic Automotive Systems Development (Development of automotive multimedia electronic products)
Motorola Qiangxin (IC design)	Honeywell (Global ECC R&D centre)

Key financial back-office service centres

Fidelity	
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Source: Respective company websites

Some of the main contributing factors for Dalian becoming a favoured service outsourcing destination

- Dalian is one of the 21 State Council-approved Service Outsourcing Model Cities across the nation.
- In 2012, the setting up of 283 foreign investment enterprises with registered foreign investment of USD 9.16 billion was approved. There are 102 foreign investment projects worth over USD 10 million each, of which 11 projects are worth over USD 100 million each. Eight of the new foreign investment projects are from Fortune 500 companies. Actual used foreign direct investment reached USD 12.35 billion, 12.2 percent higher than the previous year.²
- By the end of 2012, Dalian had built up the only innovative software industry clusters nationwide. The Dalian High-tech Industrial Zone, with its leading Software and Service Outsourcing industry, ranks among the nation's best in terms of enterprise scale, average growth rate, sales revenue, space potential, industry and university cooperation, brand image, etc. There are more than 1,500 companies in the High-tech Zone which specialise in software and service outsourcing. In addition, the city also contains 20 professional software parks and seven of the top 10 global software developers and service outsourcing suppliers.³
- Dalian Software Park has adopted a business model of being "run by the private sector, sponsored by the government". It has been honoured as one of China's Demonstration Regions for Service Outsourcing, and has been designated as a National Torch Program Software Industrial Base, National Software Industrial Base, National Software Export Base, and Pilot Base for China's Software Export to Europe and the US.⁴

Present state of the service outsourcing sector

- The main fields of Dalian's service outsourcing are: 1) binding the operation of ITO services and BPO services; 2) developing embedded software; 3) and settling overseas data centres and backup centres. The focus is to attract Finance, Insurance, Social Welfare and Public Service data centres and backup centres to settle in Dalian.⁶
- In 2012, the signed contract value and actual conducted value of offshore outsourcing services were USD 1.792 billion and USD 1.529 billion respectively, a year-on-year increase of 41 percent. By the end of 2012, Dalian was home to 988 service outsourcing enterprises, with a total of 119,800 employees.²

- In 2010, Dalian realised total sales turnover of USD 8.65 billion from software and service outsourcing, a year-on-year increase of 33.75 percent. Of this, exports increased by 28.6 percent to USD 1.5 billion.⁵
- In 2010, Dalian was home to 941 software and service outsourcing enterprises, of which there were around 300 foreign invested enterprises and 56 Fortune 500 enterprises. The total number of employees reached 100,800. There were 40 software enterprises which achieved CMM certification, accounting for a quarter of the nation's total, four of which achieved CMMI5.
- In terms of Dalian's service outsourcing activities in 2009, 50 percent were ITO, 30 percent were BPO and 20 percent were KPO services.

Related incentives for service outsourcing

- **Government policies:** In 2009, the Dalian Municipal Government issued *Opinions of the CPC Dalian Municipal Committee and Dalian Municipal Government on Accelerating the Development of the Software and Service Outsourcing Industry*, and *Some Provisions for Dalian to Further Promote the Development of the Software and Service Outsourcing Industry*, which provide a series of preferential policies such as financial support to software and service outsourcing enterprises.
- **Industrial park policies:** Dalian High Technology Industrial Zone ("Dalian High-tech Zone") issued *Policies Concerning Further Strengthening Software and Outsourcing Talent Management* (July 2008), establishing a special talent development fund to attract, cultivate and serve talent. The Dalian Economic and Technology Development Zone issued *Policies Concerning the Promotion of the Outsourcing and Development of the Biotech Industry* (November 2009), which established a support fund for biotech development, focusing on supporting the construction of public technology service facilities, developing major industrial projects and providing investment/financial support for key projects.
- **Intellectual property policies:** Aiming to support and encourage the development of the high-tech industry, the Dalian High-tech Zone can issue its own intellectual property patents. The Dalian High-tech Zone issued *Funding Measures for Encouraging the Innovation and Development of Intellectual Property* (2009, No. 102).⁷

Development targets for service outsourcing

- The target is for the scale of the software and service outsourcing industry to reach RMB 300 billion by 2015. By 2018, the aim is for Dalian to be a new leading city among global software and service outsourcing providers.

Infrastructure

- **Office parks:** By 2012, a number of creative industry projects, such as Julong Financial Equipment and Engineering Technology Research Centre, were located in Dalian Eco-Tech Innovation City. Dalian Science and Technology Innovation Park is home to 40 enterprises and has planned nine sub-parks, including the Chinese Academy of Sciences Industrial Park, Science and Technology Industrial Park, and the Optoelectronics Applied Materials Industrial Park. The number of municipal state-level technology enterprise incubators reached 12.⁵

Domestic and international traffic:

- The Shenyang-Dalian Expressway runs through the Liaodong Peninsula, linking Dalian with Shenyang.
- The Dalian Railway Station is at the end of the Shenyang-Dalian Railway. Each day, over 40 passenger trains leave Dalian, and the annual passenger throughput is over 20 million people.
- The total number of flight routes reached 154, with 118 domestic routes and 36 international routes, including to Hong Kong, Macau and Taiwan. There are connections with 90 domestic and international cities in 13 countries, as well as to Hong Kong and Macau.
- The Port of Dalian has shipping routes to ports in over 160 countries and regions.²

- **Communication infrastructure:** By the end of 2012, Dalian had 2.563 million fixed-line users and 8.398 million mobile phone users, as well as 1.414 million broadband subscribers.²

Human resources

- **Education:** In 2012, Dalian had 29 general universities, with a student population of 264,000, as well as 48,000 graduates. There were also PhD and postgraduate institutes with a student population of 38,000, 891 PhD graduates and 10,565 master's degree graduates.² The average starting salary for fresh undergraduates was RMB 2,622, and RMB 3,833 for fresh postgraduates.⁸
- **Scientific research:** In 2011, there were three State Key Laboratories in Dalian.⁹
- **Training:** Dalian is home to six software engineering institutes, with a total of 20,000 students enrolled. It has also established an outsourcing training base with 200 training centres.

Quality of living

- **Economic level:** In 2012, Dalian's GDP was RMB 700.28 billion, an increase of 10.3 percent over 2011. Urban annual per capita disposable income and Urban annual per capita consumption expenditure reached RMB 27,539 with an increase of 13.4 percent and RMB 20,417 with an increase of 8.3 percent over 2011 respectively. Annual per capita consumer consumption expenditure was RMB 7,637, representing a 0.5 percent increase.² The average annual salary of full-time employees in 2011 was RMB 49,727.90.¹⁰
- **Natural environment:** In 2012, the per capita share of green area in Dalian reached 13.2m², with a total green coverage rate of 45.2 percent. There were 352 days with good air quality in 2012.²
- **Hotels:** In 2012, Dalian had 161 star-rated hotels, including seven five-star hotels.²

¹ Dalian Statistical Yearbook 2012, www.chinayearbook.com; Dalian 2012 National Economic and Social Development Statistics Bulletin, www.stats.dl.gov.cn

² Dalian 2012 National Economic and Social Development Statistics Bulletin, www.stats.dl.gov.cn

³ People, www.people.com.cn

⁴ DLSP, www.dlsp.com.cn

⁵ Dalian Software and IT Service Industry Development Report 2012, www.chinayearbook.com

⁶ Dalian Institute of Software & Service Outsourcing, www.dliso.com

⁷ Dalian Municipal Science and Technology Bureau and Dalian Municipal Intellectual Property Office, www.dlinfo.gov.cn

⁸ Park Enterprise Statistics, <http://www.stats.dl.gov.cn/>

⁹ Dalian Statistical Yearbook 2012, www.chinayearbook.com

¹⁰ China Statistical Yearbook 2012, www.stats.gov.cn

Daqing

City profile

• Daqing is a major traffic hub in the west of Heilongjiang province and is a transit station for the Euro-Asia Continental Bridge.

• Daqing is China's largest oil production base and one of the national key petrochemical industrial bases.



Overview¹

Geographical location: Daqing is located in the west of Heilongjiang province.

Climate: Temperate continental monsoon climate
Annual average temperature: 4.2°C (2011)
Annual average rainfall: 427.5mm (2011)

Population: 2,815,508 (2011)

Key industries: Petrochemicals, Agricultural Product Processing, Machinery Manufacturing, Textiles and Leather, Electronic Information, New Materials

Service outsourcing

Key service outsourcing providers (outsourced services)

M&Y Global Services (BPO services)	Naqi Network (KPO services)
Drilling and Exploration Group of the Daqing Petroleum Administrative Bureau (KPO services)	Daqing Oilfield Engineering Co., Ltd. (KPO services)
Guangwei Reconnaissance and Mapping (IT services)	Daqing Mindwell Information Services Co., Ltd. (KPO services)
Daqing SunBridge Information Technology Engineering Co., Ltd. (ITO services)	Daqing Echo Petroleum IT (IT services)
Daqing Zhongruan (ITO services)	Top Petroleum Science and Technology (ITO services)

Key research & development centres

Beijing Originwater Technology Co., Ltd. (Development centre)	Hua Ke (Development centre)
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Source: Respective company websites

Some of the main contributing factors for Daqing becoming a favoured service outsourcing destination

- Daqing is one of the 21 State Council-approved Service Outsourcing Model Cities across the nation.
- Daqing provides outsourcing services (exploration, well testing, well logging, data mining, processing, interpretation, technology design for well drilling and well completion, as well as oil recovery technologies) to over 20 countries in Central Asia, South-east Asia, North and South America, the Middle East, and North Africa.
- Daqing Service Outsourcing Industry Park is one of China's Demonstration Regions for Service Outsourcing. There is also a state-designated new and high-tech industry development zone, a provincial economic and technological development zone, Linyuan Chemicals Industry Park, two industrial bases under the state Torch Program, as well as three state-designated and provincial pilot industry parks that have a cyclic economy as their focus.

Present state of the service outsourcing sector

- Daqing focuses on outsourcing oil engineering technology services, software development, information processing services and professional services.
- During the first 11 months of 2011, Daqing's main business of providing service outsourcing earned RMB 6.53 billion from its 427 enterprises and 23,700 employees.²
- Daqing Service Outsourcing Industry Park has attracted more than 110 enterprises including Daqing Huatuo Digital Technology Co., Ltd., Daqing Naqi Network Development Co., Ltd., Daqing Jinqiao Information Technology Engineering Co., Ltd., etc. These enterprises mainly provide data processing, software development, call centre operation and comic production services outsourced by more than 300 clients in the US, the UK, Australia, New Zealand, the Netherlands and domestic markets.
- Of Daqing's service outsourcing activities, 60 percent were ITO, 30 percent were BPO, and 10 percent were KPO.³
- During 2011, the actual use of foreign capital in Daqing reached USD 422.1 million. The direct use reached USD 190.63 million, with a growth of 21.6 percent compared to the same period in the previous year.¹

Related incentives for service outsourcing

- **Government policies:** The Daqing Municipal Government released the *Certain Opinions on the Promotion of the Service Outsourcing Industry in Daqing* (January 2007), the *Interim Measures for the Promotion of the Service Outsourcing Industry in Daqing* (June 2007), and the *Preferential Policy for the Promotion of the Service Outsourcing Industry Development in Daqing* (July 2009). The significant points include the following:
 - 1) There are incentives for service export companies, newly listed companies, independent innovation enterprises, and brand-name companies.
 - 2) Priority is given to outsourcing business loan guarantees and capital arrangement.
 - 3) Three years of free housing rental is available for advanced technology-based service enterprises.
 - 4) Subsidies are given to support enterprises with qualification certification, telecom leased circuit rentals, conferences and exhibitions, etc.
 - 5) There are discounted bank loans for service outsourcing enterprises.
- **Industrial park policies:** In September 2009, the Daqing New and High-tech Industry Development Zone released *Interim Measures for Promoting the Development of the Service Outsourcing Industry*. The salient points include incentives for technology innovation and production scale expansion, as well as office rental concessions for resident entities.
- **Intellectual property policies:** This includes *Patent Protection Regulations for Heilongjiang* (December 2003).

Development targets for service outsourcing

- *Daqing Service Outsourcing Industry Park Development Planning for the 12th Five-Year Plan* highlighted during this period, the third and fourth construction projects of the service outsourcing park, which cover areas of 300,000m² and 400,000 m², should begin, and will create a total area of 1,000,000m². By the end of the five years, the park's operating revenue should reach RMB 25 billion, and there should be 1,000 companies with 80,000 employees. The focus point of the park should be petroleum and petrochemical service outsourcing, business process service outsourcing, network information services, embedded systems, and innovation services.

Infrastructure

- **Office parks:** The Daqing Service Outsourcing Industry Park is located within the Daqing New and High-tech Industry Development Zone, with a planned site area of 665,000m² and a planned gross floor area of 730,000m².
- **Domestic and international traffic:**
 - Daqing had 22,868km of roads, including a 17.5km expressway.
 - The Harbin-Manzhouli Railway, a national trunk railway, runs across its urban areas, intersecting with the Tongliao-Ranghulu Railway.
 - Daqing Saertu Airport operates flights to Beijing, Shanghai, Chengdu and Guangzhou and other 9 cities.
 - Songhuajiang River provides direct access from Daqing to Russian ports.
- **Communication infrastructure:** By the end of 2011, Daqing had 616,000 fixed-line users and 394,000 mobile phone users, as well as 396,000 internet subscribers.¹

Human resources

- **Education:** In 2011, Daqing had seven general universities, with a postgraduate intake of 1,197, a total student population of 3,130, and 850 graduates. There were also undergraduate institutes with a student intake of 17,185, a student population of 61,054 and 19,550 graduates.
- **Scientific research:** In 2011, Daqing had 58 research institutes, including 24 privately operated institutes.
- **Training:** Zhengda Microcomputer School and the Professional Training School of Heilongjiang Software Park have been certificated by the Ministry of Commerce, and provide service outsourcing talents for Daqing.

Quality of living

- **Economic level:** In 2011, Daqing's GDP was RMB 374.03 billion, an increase of 12.1 percent over 2010. Its urban annual per capita disposable income was RMB 22,500, an increase of 12.4 percent compared to 2010.
- **Natural environment:** In 2011, there were 16 natural reserves in Daqing, covering an area of 3,454.97km². Daqing has a green coverage ratio of 45 percent, and a forest coverage ratio of 11 percent.
- **Hotels:** In 2011, Daqing had 12 star-rated hotels, including one five-star hotel.

¹ Daqing 2011 National Economic and Social Development Statistics Bulletin, www.daqing.gov.cn

² China East Government, www.chinaneast.gov.cn

³ Daqing Service Outsourcing Industrial Park, www.fvwwwbw.cn

Harbin

City profile

- Harbin is the capital of Heilongjiang province.
- Harbin is one of the core cities in the North-east Asian economic sphere and is the political, economic and cultural centre of the northern part of North-eastern China.

Overview¹

Geographical location: Harbin is located in the south of Heilongjiang province in North-eastern China.

Climate: Mid-temperate continental monsoon climate
Annual average temperature: 5.2°C (2011)
Annual average rainfall: 452.0mm (2011)

Population: 9,935,000 (2012)

Key industries: Equipment Manufacturing, Pharmaceuticals, Petrochemicals, Food

Service outsourcing

Key service outsourcing providers (outsourced services)

Harbin Pharmaceutical Group (KPO services)	Bright Oceans (KPO services)
Harbin Institute of Technology Software (Software development outsourcing)	Dingxin Data (BPO services)
Harbin Zhonghe (ITO services)	Heilongjiang Bureau of Surveying and Mapping (ITO services)
LiveChain (ITO services)	Harbin Lannou Digital (BPO services)
Harbin Weibo (KPO services)	Hong Jia Technology (BPO services)

Key shared service centres (captive)

Harbin Bank (Call centre)	
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Source: Respective company websites

Some of the main contributing factors for Harbin becoming a favoured service outsourcing destination

- Harbin is one of the 21 State Council-approved Service Outsourcing Model Cities across the nation.
- In 2012, actual used foreign capital in Harbin reached USD 1.9 billion, 18.8 percent higher than in 2011. This included USD 0.98 billion of directly used foreign capital, which was 23.6 percent higher than in 2011.²
- Harbin has the following parks:
 - One core park: Service Outsourcing Park of Harbin Economic and Technological Development Zone
 - Three professional parks: Heilongjiang Geographical Information Park, Heilongjiang Pingfang Animation and Comics Industrial Park and Heilongjiang Service Outsourcing Call Centre Park of China Unicom
 - Four university parks: Harbin Institute of Technology Science Park, Harbin Engineering University Science Park, Heilongjiang University Software Park, and Harbin University of Science and Technology Science Park.³
- More than 20 Fortune 500 companies (including Nestlé, Metro and Carrefour) have set up foreign invested enterprises in Harbin.³

Present state of the service trade sector

- According to preliminary statistics in 2012, the total value of Harbin's service industry reached RMB 240.4 billion, accounting for 52.8 percent of its GDP.²

Present state of the service outsourcing sector

- Harbin's service outsourcing focuses on industries such as Finance, Government, Education, Manufacturing, Logistics, Transportation, Media, Telecom and Medical Care. Offshore service outsourcing clients mainly come from Japan, the US, the EU, Korea, Pakistan, Vietnam, Sudan, Indonesia and India.⁴
- In 2012, there were 35 new service outsourcing enterprises, 19,450 new employees and 6,248 new trainees. The signed contract value amounted to USD 0.9 billion, with an increase of 7.47 percent from 2011. This included an offshore contract value of USD 0.8 billion, which was 14.92 percent higher than in 2011. The executed contract value was USD 0.5 billion, with an increase of 96.73 percent. There were 32 enterprises in Harbin which had achieved international certification.⁵

Related incentives for service outsourcing

- **Government policies:** The Harbin Municipal Government drew up the *Certain Opinions on the Promotion of the Service Outsourcing Industry in Harbin* in May 2007 and the *Development Plan for Harbin's Service Outsourcing Industry* in July 2008. The main points include: 1) special-purpose development funds for service outsourcing; 2) tax concessions; 3) loans and finance guarantees; 4) incentives for project R&D, manpower training and the acquisition of international certification; and 5) allowances for qualified service outsourcing enterprises and employees.³
- **Industrial park policies:** In July 2008, Harbin Economic and Technological & Hi-tech Development Zone released the *Interim Measures for the Promotion of Software and Service Outsourcing Industry Development*. The important points include: 1) special purpose development funds for the software service outsourcing industry; and 2) rental subsidies for resident enterprises.³
- **Intellectual property policies:** Heilongjiang province and Harbin have passed and issued the *Regulation of Patent Protection for Heilongjiang Province* (December 2003), *Regulation of Patent Management of Harbin* (July 2004), *Regulation of Harbin Technology Market*, etc., including more than 20 related regulations.³

Infrastructure

- **Office parks:** Harbin Economic and Technological & Hi-tech Development Zone consists of two national-level zones – the Harbin Economic and Technological Development Zone and the Harbin High and New Technological Development Zone – with a total planned area of 10km² and 23.97km² respectively.³
- **Domestic and international traffic:**
 - Harbin Railway has 36 lines and sub-lines across Heilongjiang province and within part of Inner Mongolia.
 - Harbin Taiping International Airport operates 103 domestic and international air routes to 62 destinations, including 20 international destinations which are mostly main cities in Asia.
 - There are sea routes reaching some ports in the far eastern region of Russia, which have direct access to Japan, North Korea, South Korea and South-east Asia.²
- **Communication infrastructure:** In 2012, Harbin had 2.192 million fixed-line users, 9.8 million mobile phone users and 1.65 million internet broadband access users.²

Human resources

- **Education:** In 2012, Harbin had 50 general universities, with a student intake of 214,000, a student population of 682,000, and 180,000 postgraduate students. There were also eight postgraduate institutes, with a student intake of 263, a student population of 736, and 181 graduates.²
- **Scientific research:** In 2012, Harbin had 463 research institutes in the public sector, eight state-designated corporate technology centres and 65 provincial corporate technology centres, with 39,000 research staff members (including 27,000 scientists and engineers).²
- **Training:** In 2008, Harbin had 12 qualified service outsourcing training agencies, with over 5,000 attendees in various fields.³

Quality of living

- **Economic level:** In 2012, Harbin's GDP was RMB 455 billion, an increase of 10.0 percent over 2011. Annual urban per capita disposable income reached RMB 22,498, or 12.3 percent higher than in 2011, and annual urban per capita consumption expenditure was RMB 6,378 or 15.7 percent higher than in 2011. In 2011, the average annual wage for employees in Harbin was RMB 36,449.⁶
- **Natural environment:** In 2012, Harbin had a public green space of 131.77km², green coverage of 38.4 percent and there were 319 days with good air quality.²
- **Hotels:** In 2012, Harbin had 86 star-rated hotels, including two five-star hotels.²

¹ National Bureau of Statistics of China, 'China Statistical Yearbook 2012', www.stats.gov.cn; Harbin 2012 National Economic and Social Development Statistics Bulletin, www.harbin.gov.cn

² Harbin 2012 National Economic and Social Development Statistics Bulletin, www.harbin.gov.cn

³ Harbin China Outsourcing Services, www.hrbsourcing.gov.cn

⁴ Industry and Information Technology Commission of Harbin, www.hrbiic.gov.cn

⁵ Ministry of Commerce of the People's Republic of China, www.mofcom.gov.cn

⁶ National Bureau of Statistics of China, 'China Statistical Yearbook 2012', www.stats.gov.cn

Jinan

City profile

- Jinan is the capital city of Shandong province.
- Jinan is the political, economic, cultural, technical, educational and financial centre of Shandong province. It is also one of the open coastal cities in China.



Overview¹

Geographical location: Jinan is located between Beijing and Shanghai, in the mid-west of Shandong province, with Mount Tai to the south and the Yellow River to the north.

Climate: Semi-humid continental monsoon climate in a warm temperate zone

Annual average temperature: 14.1°C (2011)

Annual average rainfall: 667.1mm (2011)

Population: 6,885,100 (2011)

Key industries: Electronic Information, Transportation Equipment, Iron & Steel, Petrochemicals, Fibres, Machinery Equipment and Service

Some of the main contributing factors for Jinan becoming a favoured service outsourcing destination

- Jinan is one of the 21 State Council-approved Service Outsourcing Model Cities in China.
- Qilu Soft Park is a national model outsourcing park in Jinan. It is designated as a National Torch Plan Software Industry Base, a National Software Industrial Base, a China International ICT Innovation Cluster, and a National Software Export (Innovation) Base.²
- In 2010, Jinan approved 87 new foreign investment projects, marking an increase of 17.6 percent compared to 2009; had actual foreign capital usage of USD 1.04 billion, ranking it third within the province and showing a 6.1 percent increase from 2009; and realised contract foreign investment of USD 1.21 billion, with an increase of 33 percent.³

Service outsourcing

Key service outsourcing providers (outsourced services)

Inspur Group (Software development outsourcing and overall solution)	Goitsys (BPO services)
NEC (Software development outsourcing)	E5 Systems (ITO services)
Eastdawn (BPO services)	CVIC SE (ITO services)
Telchina (KPO services)	Xunhe IT Co., Ltd (ITO services)
Enput Data (BPO services)	Integrated Electronic Systems Lab Co., Ltd (IT services)

Key shared service centres (captive)

Siemens (Global shared services centre)	Adidas (Global finance shared service centre)
SoftBank (Shared service centre)	Pfizer (Global finance shared service centre)
HP (Finance shared service centre)	

Key research & development centres

Taikoo (Shandong) Aircraft Engineering Company Limited (Engineering technology centre)	Disney (Innovation R&D centre)
Volvo construction equipment (R&D centre)	Panasonic Automotive Systems Development (Development of automotive multimedia electronic products)

Key financial back-office service centres

Goitsys Technology (Jinan) Co., Ltd.	
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Source: Respective company websites

Present state of the service outsourcing sector

- Jinan's outsourcing business mainly focuses on Software Outsourcing, Financial Outsourcing, Biopharmaceutical Outsourcing, Animation Outsourcing, Call Centres, and Industrial and Engineering Design and Development.
- In 2012, the contract value of Jinan's outsourcing services amounted to USD 1.086 billion, there were 4,121 contracts and the actual executed value was USD 0.839 billion, a year-on-year increase of 73.6 percent, 49.9 percent and 82.1 percent respectively. There were 4,000 offshore service outsourcing contracts with a contract value of USD 1.07 billion and an executed value of USD 0.82 billion, marking a year-on-year increase of 53.9 percent, 78.5 percent and 85.3 percent respectively.⁴
- Jinan has established an outsourcing industrial cluster with the High-tech Zone as its base. Most outsourcing services clients are from Japan, the US, Canada, Pakistan, South Korea and the Philippines. In 2011, the Qilu Software Park reached technology and trade revenue of RMB 72 billion, and revenue of RMB 45.8 billion for software and information services, and hosted more than 830 enterprises employing over 60,000 staff members. It also reached a software export amount of USD 0.43 billion and offshore outsourcing revenue of USD 0.22 billion. Qilu Soft Park became the core supporting park of 'China's Prominent Software City' and core industrial park for the National Information and Communication International Innovation Park.⁵

Related incentives for service outsourcing

- **Government policies:** The Jinan Municipal Government issued *Opinions on Further Promoting the Development of the Outsourcing Industry* (August 2009), and set up a fund to guide, support and give incentives for the development of service outsourcing. The main points include providing: 1) subsidies for loan interest for park construction, incentives for offshore outsourcing and rent reduction; 2) subsidies for experienced entrepreneurs and talent setting up businesses, including subsidies for personal income tax; and 3) subsidies for enterprises for renting broadband, international certification application and participation in exhibitions.
- **Industrial park policies:** *Preferential Policies of Jinan High-tech Development Zone*, *Qilu Soft Park* was issued in July 2011, providing incentives and assisting in areas such as taxation, financial rewards, property leasing and employee accommodation.
- **Intellectual property policies:** Jinan is a national intellectual property protection model city. It issued *Patents Protection Working Plans* to improve the overall protection of patents. An office for patents has been established within the park, and a RMB 3 million fund has been set aside to compensate those companies which are victims of pirated software, and as a precautionary measure.

Development targets for service outsourcing

- By 2014, the target is to complete the construction of 3km² of service outsourcing park platforms, to have a total of 120,000 employees, as well as to attract 400 domestic and overseas enterprises to set up service outsourcing operations in Jinan. The goal is to cultivate two to three enterprises with over 10,000 employees each and 20–30 enterprises with over 1,000 employees each. Other targets include cultivating 100,000 undergraduates and creating 80,000 new service outsourcing jobs. The goal is for total turnover of offshore service outsourcing to reach USD 1.4 billion.⁶

Infrastructure

- **Office parks:** Jinan's office parks are mainly located within the industrial parks in Jinan High-tech Development Zone, including Qilu Soft Park, Overseas Graduates Venture Park, High-tech Venture Services Centre, Export Processing Zone, Jinan Western University Science Park, Jinan Innovation Valley, Jinan Medicine Valley and University City Digital Creative Park in the Changqing district. As one of China's model regions for service outsourcing, Qilu Soft Park covers an area of 6.5km² and has completed office space of 1,000,000m².
- **Domestic and international traffic:**
 - By 2011, Jinan's highway network reached 11,940km, an increase of 2.8 percent from 2010.
 - The Beijing-Shanghai, Beijing-Kowloon and Jiaozhou-Xinyi Railways run through the city, and after the completion of the Beijing-Shanghai Express Railway, it now takes 1.3 hours from Beijing to Jinan and 2.3 hours from Shanghai to Jinan.
 - The Jinan Yaoqiang International Airport has 116 domestic and international routes, reaching over 50 domestic and foreign cities, with direct flights to Japan, South Korea, Singapore, Russia, Hong Kong, Macau and Taiwan.
- **Communication infrastructure:** By the end of 2011, Jinan had 1.86 million fixed-line users and 9.31 million mobile phone users, as well as 1.32 million broadband subscribers.

Human resources

- **Education:** In 2010, Jinan had 66 general universities with a combined student population of 642,500, and 175,700 graduates. The average starting salary for graduates was RMB 2,000 per month.⁷
- **Scientific research:** As at 2011, Jinan had 145 innovative enterprises, among which 40 were above provincial level and 33 were at provincial level. There were 128 independent innovation products recognised in 2011, bringing the total to 379 overall.⁸
- **Training:** In 2009, Jinan had designated 30 service outsourcing training institutions, providing training to over 10,000 outsourcing professionals every year. It established a national service outsourcing training centre in Qilu Soft Park, and set up five provincial-level talent training bases. Jinan also cooperated with foreign partners on training, which included setting up an IT outsourcing institute with Microsoft and establishing a financial training institute with Canada. The joint training institution of Inspur and Uptec has started operating. Jinan has also introduced training systems from Hitachi, NEC and IBM.

Quality of living

- **Economic level:** In 2011, Jinan's GDP was RMB 440.6 billion, an increase of 10.6 percent over 2010. Urban annual per capita disposable income and urban annual per capita consumption expenditure reached RMB 28,892 with an increase of 14.1 percent, and RMB 18,045 with an increase of 13 percent respectively over 2010. The average salary of full-time employees was RMB 44,004.5 per year.
- **Natural environment:** As at 2011, the public green area comprised 37 percent of the total urban area, with a per capita green area of 11.4m². In 2011, there were 308 days with good air quality.
- **Hotels:** As at 2009, Jinan had 110 star-rated hotels, including 10 five-star hotels.

¹ Jinan Statistical Yearbook 2012, www.chinayearbook.com

² Shandong Outsourcing, outsourcing.shandongbusiness.gov.cn

³ Shandong Infobase, www.infobase.gov.cn

⁴ Jinan Municipal Government, www.jinan.gov.cn

⁵ Jinan Science & Technology Bureau, www.jnsti.gov.cn

⁶ Dazhong, www.dzwww.com

⁷ Jinan Municipal Bureau of Commerce, www.jinanbusiness.gov.cn

⁸ Jinan 2011 National Economic and Social Development Statistics Bulletin, www.jinan.gov.cn

Qingdao

City Profile

- Qingdao is a city directly under the supervision of the Shandong Provincial Government.
- Qingdao is one of the most important economic centres along China's east coast, as well as one of China's open coastal cities.



Overview¹

Geographical location: Qingdao is located at the southern tip of the Shandong Peninsula, with the Yellow Sea to the east and south. It faces Japan and South Korea across the sea.

Climate: Temperate monsoon climate
Annual average temperature: 12.8°C (2011)
Annual average rainfall: 717.2mm (2011)

Population: 7,695,600 (2012)

Key industries: Information Technology, Home Appliances, Petrochemicals, Automobiles, Shipbuilding, Textiles and Apparel, Food, Iron & Steel, Logistics, Tourism

Service outsourcing

Key service outsourcing providers (outsourced service)

Lucent Technologies (IT services)	Caterpillar (KPO services)
Altech (ITO service)	ReSource Pro (IT services)
Haiersoft (ITO services)	Hisense (IT services)
Zhongke Software (IT services)	NEC (ITO services)
Tidever Software (Software development outsourcing)	SoftBrain Group (Software development outsourcing)
Genpact (BPO services)	Haier (KPO services)

Key shared service centres (captive)

Haier (Finance shared service centre)	Haier (Human resources shared service centre)
Agility Logistics (Shared service centre)	

Key research & development centres

Lanxess AG (Development of rubber)	Qingdao Hanhe Cable (Research of wire technology)
Haier (Development of new material)	Hisense (Development of digital multimedia technology and products)
MESNAC R&D Centre (Development of rubber)	Lucent Technologies R&D Centre (Development of communication exchange software)
CSR Sifang (Research of bullet trains)	

Key finance back-office service centres

Laoshan Financial City Back-office Service Centre	Ping An Comprehensive Financial Back-office Service Centre
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Source: Respective company websites

Some of the main contributing factors for Qingdao becoming a favoured service outsourcing destination

- In 2012, actual used foreign capital in Qingdao amounted to USD 4.6 billion, a 27.8 percent increase from 2011. Qingdao approved 707 foreign investment projects, a 3.3 percent decrease from 2011. The contract value amounted to USD 5.29 billion, an 11.1 percent increase from 2011.⁴
- The Qingdao Software Park has been designated as a National Torch Plan Software Industry Base and a National Model Base for Software Export to Europe and the US. The Software Park has attracted a large number of well-known enterprises because of its well-established facilities, including Microsoft, IBM, Unihub Global Services, Qingdao Sinodev Information Technology Limited, Gruden China, Todos Data System AB and Softbrain Software, with a total number of 145 well-known software companies settling in the park. Eight enterprises in the park, including YongYou and Inspur achieved CMM2 accreditation, six software enterprises received CMM3 certification, and another 30 enterprises have been certified with ISO 9000.⁵

Present state of the service trade sector

- In 2012, the value of the Qingdao import and export services sector was USD 21.345 billion, with a year-on-year increase of 25.79 percent. The value of exports was USD 10.37 billion, with a year-on-year increase of 26.51 percent, while the value of imports was USD 10.9 billion, with a year-on-year increase of 25.08 percent.²

Present state of the service outsourcing sector

- Qingdao's ITO business mainly consists of Software Outsourcing, including Embedded Software Development, Animation and Cartoon Creation and Design, Network Technology, System Integration, and IC design.⁶
- In 2012, the signed contract value of Qingdao's offshore outsourcing services was USD 822 million, a year-on-year increase of 155.1 percent. For three consecutive years, the outsourcing service in the city has realised three-digit growth in terms of percentage, resulting in Qingdao ranking number one in industry growth among China's outsourcing cities in 2012.⁷
- As at 2012, Qingdao was home to 390 service outsourcing enterprises, of which 157 enterprises were newly added that year.

- The new round of construction for the service outsourcing industrial park is in full swing, with a total investment of RMB 572 million. The first phase – the Qingdao Phoenix Island Television and Animation Creative City, which will house creative projects – has commenced, while the second phase, with a total investment of RMB 1 billion, is expected to start in 2013.

Related incentives for service outsourcing

- **Government policies:** In February 2008, the Qingdao Municipal Government issued the *2008–2015 Development Plan for Qingdao's Outsourcing Industry and the Support Measures for the Enhancement of the Development of the Outsourcing Industry in Qingdao*. These incentive policies include: 1) a special fund to support the development of the outsourcing industry; 2) subsidies for training expenses; 3) sponsorship for business promotion activities; 4) rewards for overseas businesses; and 5) incentives for international certification applications. In 2012, the Qingdao Municipal Government issued the *Opinions on further Promoting the Development of the Outsourcing Industry*, which includes: 1) promoting the development of the Outsourcing industry; 2) enhancing the construction of industrial parks and public service platforms; 3) further promoting the industry by attracting, cultivating and training talent; 4) promoting the setting up of outsourcing companies; and 5) optimising the environment and development for outsourcing services.
- **Industrial park policies:** The preferential policies issued for enterprises in the park include: 1) tax deductions and exemptions; 2) fund awards for software enterprises that pass international certifications; 3) rewards for R&D; and 4) favourable terms for the utilisation of park facilities.
- **Intellectual property policies:** In 2011, the Qingdao Municipal Government issued *The Patent Protection Provisions* which covers topics including patent building projects, the establishment of patent innovation, a system encouraging patent innovation, the establishment of patent statistics, and evaluation systems.⁸

Development targets for service outsourcing

- By 2015, Qingdao hopes to double the scale of the Software and Service Outsourcing industry; establish the brand of "Blue Qingdao, Global Service"; and nurture 10 enterprises with revenue in excess of RMB 1 billion each, of which two enterprises have total revenue in excess of RMB 10 billion each. Over the next three years, the number of software development and service outsourcing talents in the city is anticipated to exceed 100,000. By the end of 2015, the total employment numbers should reach 280,000, and 380,000 by 2016.⁹

Infrastructure

- **Office parks:** Various software and outsourcing parks in Qingdao cover a total area of 920,000m², mainly consisting of the Shinan Software Park, International Innovation Park, Qingdao Software Valley, Phoenix Island Film and Animation City, and Qingdao Software Technology City. Phase I of Qingdao Software Park covers 126,000m², with a planned construction area of 260,000m²; and Phase II covers 100,000m², with a total planned construction area of 120,000m². The IT service outsourcing base in Qingdao is part of Qingdao Software Park in Aoshan, and should cover an area of 10km².
- **Domestic and international traffic:**
 - By the end of 2009, the total highway length reached 16,223km, 702km of which was expressways.

- The city is connected to the national railway network via the Jiaozuo-Jinan Railway.
- By the end of 2012, Qingdao Liuting International Airport had 95 domestic air routes and 11 international routes, connecting it to international cities.
- The Port of Qingdao is a natural harbour and an important hub for international trade and maritime transport along the Yellow River and the west coast of the Pacific Rim. In 2009, the Port of Qingdao was included in the world's top 10 ports.²
- **Communication infrastructure:** By the end of 2012, Qingdao had 2.53 million fixed-line users, 11.79 million mobile phone users, as well as 2.18 million internet subscribers.

Human resources

- **Education:** In 2012, Qingdao had 22 general universities, with a combined student population of 297,000. The average monthly income for graduates was RMB 2,280, and RMB 3,151 for postgraduates.¹⁰
- **Scientific research:** In 2012, the city had made 304 significant scientific and technological achievements and won nine national science and technology awards. Qingdao has also been awarded seven natural science awards, five technology innovation awards and 93 science progress awards.³ The city has 24 state-level enterprise technology centres.¹¹
- **Training:** As at 2012, there were eight training institutions designated for outsourcing talent development, including Qingdao Top Institute of Information Technology. Qingdao has also established the Oracle (Qingdao) Training Base.

Quality of living

- **Economic level:** In 2012, Qingdao's GDP was RMB 730.21 billion, a 10.6 percent increase over 2011. Urban annual per capita disposable income was RMB 32,145, which increased by 12.5 percent from 2011, and urban annual per capita consumption expenditure was RMB 20,391, which increased by 5.7 percent compared to 2011. The average annual salary of full-time employees was RMB 37,399.
- **Natural environment:** In 2012, Qingdao's green area covered 211.21km², with an increase of 1.48km² from 2011. The per capita public green area was 14.58m². There were also 340 days with good air quality.
- **Hotels:** In 2012, Qingdao had 157 star-rated hotels, including nine five-star hotels.³

¹ 2012 Qingdao Statistical Yearbook; Qingdao 2012 statistical bulletin for national economic and social development, <http://zzb.qingdao.gov.cn>

² Ministry of Commerce of the People's Republic of China – Special Commissioner's Office in Qingdao, <http://qdtb.mofcom.gov.cn>

³ Qingdao 2012 National Economic and Social Development Statistics Bulletin, <http://zzb.qingdao.gov.cn>

⁴ Chinayearbook, 'Qingdao Statistical Yearbook 2012', www.chinayearbook.com

⁵ China Torch Program Software Technology Park, 'Qingdao Software Park', www.qingdaosoftware.com

⁶ Qingdao Outsourcing, www.qingdaoutsourcing.cn

⁷ China Sourcing, <http://chinasourcing.mofcom.gov.cn/>

⁸ State Intellectual Property Office of the People's Republic of China, 'National Intellectual Property Office Government', www.sipo.gov.cn

⁹ Qingdao Software and Service Outsourcing Industry Development Planning (2012–2016), www.qingdaoutsourcing.cn

¹⁰ Guangming Online, www.gmw.cn

¹¹ People's Daily Online, www.people.com.cn

Tianjin

City Profile

- Tianjin is one of the four municipalities directly under the control of China's Central Government, and it is one of the biggest coastal cities in northern China.
- Tianjin is one of the most important comprehensive industrial bases in China, and one of the cores cities in the Bohai Economic Rim.



Overview¹

Geographical location: Tianjin is located north-east of the North China Plain, downstream of the Haihe River, west of the Bohai Sea, south of Yanshan and east of Beijing.

Climate: Medium latitude monsoon climate
Annual average temperature: 12.9°C (2011)
Annual average rainfall: 485.8mm (2011)

Population: 14,131,500 (2012)

Key industries: Engineering Mechanics, Automobiles and Components, Home Appliances, Electronic Information, New Materials, Biopharmaceuticals

Service outsourcing

Key service outsourcing providers (outsourced services)

Kapersky (IT services)	Yucheng Technologies (BPO services)
KBW (Software development outsourcing)	Amdocs (ITO services)
Isoftware (ITO & BPO services)	CSC (ITO & BPO services)
ACS (ITS services)	CS&S Cyber Resources Software Technology (Software development outsourcing)

Key shared service centres (captive)

Motorola (Finance shared centre)	Siemens (HR shared service centre)
Caterpillar (Finance shared centre)	Standard Chartered (Global shared service centre including financial services outsourcing)

Key research & development centres

Tasly Technological Centre (Basic research and industry research)	Tianjin First Auto Work Product Development Centre (Design, experiments, development)
Samsung Group R&D Centre (Integration with research and production)	Panasonic Automotive System Development Co. Ltd (Car multimedia products)
Motorola Qiangxin R&D Centre (IC design)	Honeywell Environmental Controls Product Global R&D Centre

Key finance back-office service centres

Agricultural Bank of China	China Construction Bank
China Everbright Bank	Huaxia Life Insurance

Source: Respective company websites

Some of the main contributing factors for Tianjin becoming a favoured service outsourcing destination

- Tianjin is one of the 21 State Council-approved Service Outsourcing Model Cities in China.
- In 2012, Tianjin witnessed sound growth in investment attraction, with 632 approved foreign invested enterprises contributing to a total contract value of USD 18.585 billion, an increase of 10.4 percent from 2011. The actual use of foreign capital was USD 15.016 billion, an increase of 15.0 percent from 2011. At the end of 2012, the number of countries and regions investing in Tianjin had risen to 134 and the number of Fortune 500 enterprises investing in Tianjin rose to 152.³
- The Tianjin Hi-tech Industry Park was founded in 1998, and is a National Software Export Base, National Torch Plan Software Industry Base, National 863 Software Professional Incubator, Pilot Zone of Chinese Service Outsourcing Model City, and an Information Service Core Zone of the National Comprehensive Hi-tech Industry Base.⁴
- Tianjin is one of the national software export bases, and has formed an offshore service outsourcing industry cluster with the development zone and new technology zone at its core.⁴

Present state of the service industry

- The Tianjin National Tax Bureau and the Tianjin Commerce Committee together issued *Implementation Opinions on Taxable Services for the Value-added Tax rate and Tax Exemption Policy* (2013) to apply the tax exemption policy to those enterprises and people registered in Tianjin providing services overseas in the Transportation industry and some other service industries.²

Present state of the service outsourcing sector

- The development of the outsourcing service sector in Tianjin has four key focus areas: Software Development, Biomedicine, Finance Outsourcing and Corporation Shared Service Centres for MNCs.⁴
- Service outsourcing in Tianjin grew rapidly in 2012. There were 3,067 newly signed contracts, with an increase of 62.8 percent. These contracts were worth USD 1.53 billion, an increase of 64.1 percent from 2011. The executed contract value was USD 1.23 billion, double the amount in the previous year. The offshore outsourcing executed amount grew by 90.1 percent.³

- Tianjin's service outsourcing industry witnessed rapid development and increased scale in Tianjin in 2012. There were 104 enterprises which were newly registered in 2012, bringing the total number of service outsourcing enterprises registered with the Ministry of Commerce to 397. Total employment reached 75,300, with 28,500 new joiners during 2012.⁵
- ITO continued to expand in 2012, mainly in Software R&D and Information Services, with the executed value at USD 567 million, accounting for 46.2 percent of Tianjin's service outsourcing activities. KPO became increasingly stable, and mainly covers areas such as biomedicine, engineering design and experimental tests. The total offshore outsourcing amount was USD 293 million, which equates to 39.2 percent of Tianjin's offshore activities.⁵

Related incentives for service outsourcing

- **Government policies:** The Tianjin Municipal Government issued *Implementation Opinions on Encouraging the Speeding up of the Development of the Service Outsourcing Industry in Tianjin* (July 2010), and revised and completed a series of policies including the *Implementation Measures of Opinions on Promoting Service Outsourcing by the Tianjin Commercial Committee and Tianjin Municipal Finance Bureau* (July 2010). These outlined preferential policies are mainly for land, tax, talent attraction and to support outsourcing enterprises by providing industry support, tax concessions, training, talent incentives and innovation support.⁴
- **Industrial park policies:** The Tianjin Hi-tech Industry Park, Tianjin Free Zone and the Tianjin Economic-Technological Development Area have issued preferential policies, including *Provisional Regulations on the Promotion of Service Outsourcing in Tianjin Economic and Technology Development Zone* (January 2007), *Supporting Policies of Tianjin Hi-tech Industry Park* (November 2008) and *Incentive Measures on Accelerating Software and Service Outsourcing in Tianjin Hi-tech Industry Park* (November 2009) to provide capital and other support to enterprises in the areas of taxation, customs and talent cultivation.⁴
- **Intellectual property policies:** Tianjin issued *Measures on Patent Protection and Management in Tianjin City* (Regulations No. 95, 2005) to enhance the work related to patent management in economic, technological, educational and social development aspects.⁴

Development target for service outsourcing

- By 2015, the total revenue of service outsourcing contracts in Tianjin Development Zone is expected to reach RMB 20 billion, of which USD 2 billion will be from the export of services. There are also expected to be 20 enterprises with executed amounts of over USD 10 million each. The goal is that by 2015, the added value of the Technology Service industry in Tianjin will reach RMB 50 billion, which would equate to 7.5 percent of Tianjin's entire service industry. It is expected that the workforce will reach 200,000 and the number of enterprises will reach over 8,000, including over 2,000 medium to large-sized enterprises.⁴

Infrastructure

- **Office parks:** Tianjin Development Zone, Tianjin Airport Logistics Processing Zone and Tianjin New Technology Industry Park are model service outsourcing zones. The planned area of the Service Outsourcing Base of Tianjin Development Zone is 440,000m², and the planned area of the service outsourcing model zone of Tianjin Airport Logistics Processing Zone is 2km².⁴

Domestic and international traffic:

- Tianjin had 15,163.019km of highways in 2011, which is 330.732km more than in 2010. This includes 1,103.25km of expressways at the end of 2011.
- Three main railways (Beijing-Harbin, Beijing-Shanghai and Beijing-Tianjin) cross through Tianjin.
- Tianjin Binhai International Airport has 16 international direct flights, including to Seoul, Nagoya and Singapore.
- The Port of Tianjin is connected to over 500 ports in 180 countries.⁶

- **Communication infrastructure:** By the end of 2012, Tianjin had 3.54 million fixed-line users and 13.03 million mobile phone users, as well as 9.16 million internet users and 2.14 million broadband users.³

Human Resources

- **Education:** In 2012, Tianjin had 55 general universities, with a combined student intake of 141,900, a student population of 473,000, and 113,000 graduates. These institutes also had a combined postgraduate student intake of 17,100, a postgraduate student population of 48,500, and 14,500 postgraduate graduates.³
- **Scientific research:** Tianjin now has nine national-level labs, 45 department-level labs, 33 national-level engineering technology research centres, 24 national-level science and technology industrialisation bases, 39 national-level technological research centres, 410 city-level enterprise technology development centres and five national-level technology innovation demonstration enterprises.³
- **Training:** Tianjin has more than 10 training institutions, including the Tianjin Training Centre of Service Outsourcing and the Tianjin Software Export Base Training Centre, to cultivate professional talent in the service outsourcing industry.⁴

Quality of living

- **Economic level:** In 2012, Tianjin's GDP was RMB 1,288.5 billion, an increase of 13.8 percent from 2011. Urban annual per capita disposable income for urban residents was RMB 29,626, a 10.1 percent increase from 2011. Urban annual per capita consumption expenditure was RMB 20,024, or 8.7 percent more than in 2011. In 2011, the average annual salary of full-time employees was RMB 55,636.⁷
- **Natural environment:** There were 305 days with good air quality in 2012.³
- **Hotels:** At the end of 2012, Tianjin had 111 star-rated hotels, with 20 five-star hotels.³

¹ National Bureau of Statistics of China, 'China Statistical Yearbook 2012', www.stats.gov.cn; Tianjin Statistical Information Net, 'Tianjin 2012 National Economic and Social Development Statistics Bulletin', www.stats-tj.gov.cn

² Xinhua, www.xinhuanet.com

³ Tianjin Statistical Information Net, 'Tianjin 2012 National Economic and Social Development Statistics Bulletin', www.stats-tj.gov.cn

⁴ China Sourcing, <http://chinasourcing.mofcom.gov.cn>

⁵ China Economic Herald, www.ceh.com.cn

⁶ Chinayearbook, 'Tianjin Statistical Yearbook 2012', www.chinayearbook.com/tongji

⁷ Chinayearbook, 'China Statistical Yearbook 2012', www.chinayearbook.com/tongji





Eastern China cities

Hangzhou

Hefei

Nanchang

Nanjing

Ningbo

Shanghai

Suzhou

Wuxi

Xuzhou

Hangzhou

City Profile

- Hangzhou is the capital of Zhejiang province, and is the political, economic and cultural centre in the province.
- Hangzhou is one of the major traffic hubs in East China and the Yangtze River Delta region.



Overview¹

Geographical location: Hangzhou is located south of the Yangtze Delta to the west of Hangzhou Bay, with the Qiantang River to the south and Jinghang Grand Canal to the north.

Climate: Subtropical monsoon climate
Annual average temperature: 17.2°C (2011)
Annual average rainfall: 1,359.9mm (2011)

Population: 8,802,000 (2012)

Key industries: Electronics and Information, Pharmaceuticals and Petrochemicals, Machinery Manufacturing, Textiles and Apparel, Food and Beverages

Service outsourcing

Key service outsourcing providers (outsourced services)

Insignia (ITO & BPO services)	Infosys (ITO & BPO services)
Hundsun Technologies (ITO services)	Sunyard (ITO services)
Strategic Systems Solutions (ITO services)	State Street (Software development outsourcing, BPO services)
NEC (ITO services)	WebEx (ITO services)
TCS (ITO & BPO services)	kjl-ink (BPO services)

Key shared service centres (captive)

Microsoft (Shared service centre)	Intel (Shared service centre)
MSD China (Shared service centre)	Siemens (Global shared service centre)

Key research & development centres

NetEase Hangzhou R&D Centre (Mobile internet products)	Cisco China Hangzhou R&D Centre (Products, technology solutions)
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Key financial back-office service centres

PSBC, Zhejiang Branch	China Galaxy Securities
ICBC, Business Processing Centre of Zhejiang Branch	Rural Credit Union Background Service Centre

Source: Respective company websites

Some of the main contributing factors for Hangzhou becoming a favoured service outsourcing destination

- Hangzhou is one of the 21 State Council-approved Service Outsourcing Model Cities across the nation.
- Hangzhou has the following state-designated bases: a software industry base, a software export innovation base, an animation industry base, a service outsourcing urban base, and an experimental base for European- and US-bound exports.²
- In 2012, Hangzhou approved 510 FDI projects, with committed foreign capital of USD 8.265 billion and a 1.2 percent increase compared with 2011, of which USD 4.96 billion had already been realised. There were 138 newly approved projects which each had investment amounts of over USD 30 million in FDI, amounting to a total of USD 10.56 billion or 78.7 percent of the total foreign investment. By the end of 2012, 97 Fortune 500 companies had invested in 152 projects in Hangzhou, with an increase of 12 projects in 2012.³
- Hangzhou's four state-designated development zones attracted committed foreign capital of USD 2.747 billion, of which USD 1.7 billion was actually used in 2011.²

Present state of the service outsourcing sector

- Hangzhou focuses on ITO and BPO services, covering mainly Software Development, Network and Digital Value-added Services, Telecommunication Operations, and Financial Services Outsourcing.²
- In 2012, the signed contract value of Hangzhou's outsourcing services was USD 4.3 billion, while the executed contract value was USD 3.79 billion. The contract value of offshore services was USD 3.49 billion, and the executed contract value was USD 2.94 billion, with an increase of 56.84 percent compared to 2011.⁴
- By the end of 2012, Hangzhou was home to 975 service outsourcing enterprises recorded in the official system, with a total of 259,645 employees. There were 23,114 employees trained and 615 outsourcing service courses conducted by service outsourcing training institutions.⁴

Related incentives for service outsourcing

- **Government policies:** The Hangzhou Municipal Government released the *Certain Opinions on the Promotion of the Service Outsourcing Industry in Hangzhou* in June 2007 and the *Development Strategies and Industry Planning for Service Outsourcing in Hangzhou* in January 2009. These incentives covered special purpose funds, corporate certifications, market expansion, personnel training and exports.²
- **Industrial park policies:** Hangzhou Economic and Technological Development Zone and Hangzhou High-tech Industry Development Zone have also offered preferential policies, including: 1) tax concessions; 2) funding for newly established qualified service outsourcing providers; 3) subsidies for accredited service outsourcing training agencies, and resident enterprises which acquire their own offices; and 4) incentives for service providers which export outsourcing services.²
- **Intellectual property policies:** In 2009, the Hangzhou Government issued *Regulations for Hangzhou Service Outsourcing Intellectual Property Rights Protection*, which includes company protection, administrative enforcement, awards and sponsorships, etc.²

Development targets for service outsourcing

- By 2015, Hangzhou aims to achieve an overall turnover of RMB 150–200 billion for service outsourcing, with 500–600 medium to large sized companies which can undertake outsourcing business. Hangzhou also intends to become a world-famous financial services outsourcing centre, national leading software development centre, and application management centre for small and medium-sized companies by 2015 in an attempt to upgrade and transform its economy.⁴

Infrastructure

- **Office parks:**
 - Hangzhou has four state-designated development zones – the Hangzhou Economic and Technological Development Zone, Hangzhou High-tech Industry Development Zone, Xiaoshan Economic and Technological Development Zone, and Hangzhou Zhijiang National Tourist and Holiday Resort. The Hangzhou High-tech Industry Development Zone occupies a site area of 85.6km², while the Hangzhou Economic and Technological Development Zone has an administrative area of 104.7km².
 - There are nine provincial and municipal-level parks, including Insigma Software Park, Totyu Science Technology Park, Hangzhou East Software Park, Hangzhou Xiaoshan International Business-starting Centre, Hangzhou North Software Park, Singapore-Hangzhou Science & Technology Park, Hangzhou Qianjiang Innovation Park, Hangzhou Eastern Communications City and Hangzhou Yuhang Innovation Base. By the end of 2012, these nine parks occupied 15.8km² and developed an area of 5.4km², had a planned construction area of 13,900,000m², and had a constructed area of 2,360,000m². There were 275 outsourcing service companies employing a total of 23,965 staff members.⁴
- **Domestic and international traffic:** As at 2012, Hangzhou had 15,746.88km of highways, including 549.53km of expressways, with four trunk railway lines and one sub-line. Hangzhou Xiaoshan International Airport had 144 flight routes, including 20 international routes and seven routes to Hong Kong, Macau and Taiwan. The construction of Metro Line No. 1 has been completed, while Line No. 2 is almost complete. Hangzhou is now a city that has a Metro system.³

- **Communication infrastructure:** By 2012, Hangzhou had 3.46 million fixed-line users, 13.58 million mobile phone users, as well as 2.51 million broadband subscribers. In order to promote the construction of 'Wisdom Hangzhou', the Wi-Fi wireless outdoor network has become free to the public.³

Human resources

- **Education:** In 2012, Hangzhou had 38 general universities with a student population of 459,200, and 43,500 postgraduate students.³
- **Scientific research:** In 2012, there were 189 national key high-tech enterprises, 49 provincial-level R&D centres and 30 technology centres.³
- **Training:** Hangzhou has over 20 service outsourcing training agencies, such as the Hangzhou State Software Industry Base United Training Centre, with an annual enrolment of 17,000 participants in 2009. Hangzhou International Institute of Service Engineering, established at the end of 2008, is the first service outsourcing undergraduate institute in China.²

Quality of living

- **Economic level:** In 2012, Hangzhou's GDP was RMB 780.4 billion, an increase of 9 percent over 2011. Urban annual per capita disposable income and urban annual per capita consumption expenditure reached RMB 37,511 with an increase of 10.1 percent and RMB 22,800 with an increase of 0.7 percent respectively compared to 2011. The average annual salary of full-time employees was RMB 54,408.⁵
- **Natural environment:** By the end of 2012, Hangzhou had a per capita green area of 15.5m², with coverage of 40.1 percent. There were 336 days with good air quality in 2012.³
- **Hotels:** In 2012, Hangzhou had 217 star-rated hotels, including 20 five-star hotels.³

¹ National Bureau of Statistics of China, 'China Statistical Yearbook 2012', www.stats.gov.cn; Hangzhou 2012 National Economic and Social Development Statistics Bulletin, www.hzstats.gov.cn

² Hangzhou Service Outsourcing, www.hzsourcing.com

³ Hangzhou 2012 National Economic and Social Development Statistics Bulletin, www.hzstats.gov.cn

⁴ China Outsourcing, mag.chn sourcing.com.cn

⁵ National Bureau of Statistics of China, 'China Statistical Yearbook 2012', www.stats.gov.cn

Hefei

City Profile

- Hefei is the capital of Anhui province.
- Hefei is the political, economic, cultural, information, transportation and business centre of Anhui province.



Overview¹

Geographical location: Hefei is located between the Yangtze River and the Huai River, on the banks of Chao Lake and on the west end of the Pan-Yangtze River Delta.

Climate: Humid subtropical monsoon climate
Annual average temperature: 16.4°C
Annual average rainfall: 1,316mm

Population: 7,572,000 (2012)

Key industries: Automobiles, Equipment Manufacturing, Household Appliances, Food and Agricultural Processing, New Flat Panel Displays, New Energy, Photovoltaics

SMIC R&D Centre (IC chip design)	Agilent's R&D Centre (ICT R&D)
Loongson R&D Centre (ICT R&D)	
Key financial back-office service centres	
Industrial and Commercial Bank of China (Back-office service centre)	Agricultural Bank of China (Customer service centre)
Bank of China (Customer service centre)	China Construction Bank (Production base)
Bank of Communications of China (Financial services centre)	Shanghai Pudong Development Bank (Comprehensive centre)
Postal Savings Bank of China (Back-office service base)	China Huarong Asset Management Corp. (Back-office base)
Xinda Asset Management (Back-office centre)	China Great Wall Asset Management Corp. (Back-office centre)
PICC P&C (East China operation centre)	Ping An Insurance Group (Back-office centre)

Source: Respective company websites

Service outsourcing

Key service outsourcing providers (outsourced services)

USTC Sinovate Software (ITO services)	Anhui USTC iFLYTEK (ITO services)
Array Information Technology (Software development outsourcing)	Alpha Information (BPO services)
Easy Business Digital Technology Co., Ltd. (ITO services)	kjl-ink (ITO services)
MediaTek (ITO services)	iFLYTEK Intelligent System (Software development outsourcing)
East China Engineering (Engineering design)	Cement Research Institute (Engineering design)

Key shared service centres (captive)

UPS (Global shared service centre)	China Telecom (Financial shared service centre)
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Key research & development centres

Lenovo R&D Centre (Laptop manufacturing)	JAC R&D Centre (Vehicle R&D)
Sysco R&D Centre (Web virtual meeting and remote customer service software development)	Tencent R&D Centre (R&D of mobile internet industry, dynamic display technology)
Intel Joint Laboratory (Mobile network and computing collaboration)	Anhui USTC iFLYTEK R&D Centre (Research of intelligent voice and language technology, software development)
Midea-Royalstar refrigerator R&D Centre (Refrigerator and related products R&D)	Giti Tire R&D Centre (Tire technology R&D)
Hefei New Energy Automotive R&D Centre (Electric vehicle R&D)	National ASIC Design Engineering Centre, Hefei Sub-centres (IC R&D)

Some of the main contributing factors for Hefei becoming a favoured service outsourcing destination

- Hefei is one of the 21 State Council-approved Service Outsourcing Model Cities across the nation.
- Hefei is China's first scientific and technological innovation pilot city. The report 'Nature Publishing Index 2011 China' published by the UK's Nature Publishing Group ranks Hefei third in China in terms of scientific research. Hefei has 564 research institutions, 60 colleges and universities, 410,000 college and university students, and 115 vocational schools with 170,000 students.
- In 2012, Hefei approved 63 foreign invested enterprises and realised an actual utilisation of foreign capital of USD 1.656 billion, about the same as in the previous year. This included foreign direct investment of USD 1.601 billion, a 23.1 percent increase over 2011. For foreign economic cooperation, the new contract was worth USD 1.2 billion and earned revenue of USD 2.26 billion. By the end of 2012, there were 42 Fortune 500 companies which had invested in Hefei, three more than in 2011.²

Present state of the service outsourcing sector

- Hefei focuses on the following service outsourcing activities: Software R&D, IC Design, the e-Commerce Platform, Call Centres, Supply Chain Management, Industrial Design, Animation Gaming Design, Engineering Design, Human Resources Management, Shared Services, Financial Back-office Services, Medical Testing, etc.
- In 2012, Hefei's service outsourcing contracts amounted to USD 1.07 billion, an increase of 76.5 percent. This includes executed contracts worth USD 690 million, an increase of 79.2 percent.
- As at December 2012, there were almost 400 service outsourcing enterprises, 21 of which each brought in revenue of over USD 10 million and four of which were selected as being among China's Top 100 growing service outsourcing centres. The outsourcing business was from Asia, Europe, the US, Africa and 39 other countries and regions.

Related incentives for service outsourcing

- **Government policies:** The Hefei Municipal Government released *Certain Policies on the Promotion of the Service Outsourcing Industry in Hefei* (Trial) (August 2008), the *Implementation Opinions for the Promotion of the Development of Hefei's Service Outsourcing Industry* (No. 20 Hezheng [2010], March 2010) and *Policies of Undertaking Industry Transformation and Service Industry Promotion* (Trial) (No. 51 Hezheng [2012]). The key points include: 1) establishing special funds for service outsourcing development; 2) providing incentives to enterprises for business tax, income tax and senior executives' personal income tax; 3) providing support on international certification costs; 4) providing professional training support; 5) promoting international markets; 6) other policies. The Hefei Municipal Government launched a total of RMB 38 million worth of incentives to help the outsourcing business to develop.³
- **Industrial park policies:** Hefei State-designated High-tech Industrial Development Zone and Hefei State-designated Economic and Technological Development Zone have introduced preferential treatment for companies. In May 2009, the Hefei State-designated Economic and Technological Development Zone released *Incentive Policies for the Resident Enterprises in Innovation Pioneer Park*. In November 2009, Hefei State-designated New and High-tech Industrial Development Zone released *Certain Policies on Encouraging the Development of Software, Animation and Service Outsourcing Industries*.²

Development targets for service outsourcing

- By the end of 2017, Hefei aims to: achieve service outsourcing contract value worth USD 2.8 billion; have executed value of USD 2 billion with an annual increase rate over 25 percent; have 1,200 companies providing outsourcing services and employing a total of 180,000 people.

Infrastructure

- **Office parks:** Hefei has three state-designated demonstration areas for service outsourcing – the Hefei State-designated High-tech Industrial Development Zone, the Hefei State-designated Economic and Technological Development Zone, and Anhui Service Outsourcing Industry Park. There are also three municipal service outsourcing parks – Hubin New Zone, Baohe Zone and Shushan Economic and Technological Development Zone.

- **Domestic and international traffic:** Hefei is an important regional integrated transport hub:
 - It has seven expressways and 106km of expressways circling the city.
 - Local railway networks connect Hefei with Nanjing and Shanghai in the east by the Hefei-Nanjing Railway, Wuhan and Chengdu in the west by the Hefei-Wuhan Railway, and Jiangxi and Fujian in the south by the Beijing-Fuzhou Railway. It takes 50 minutes to Nanjing, two hours to Shanghai and Wuhan, and three hours to Beijing.
 - Hefei Xinqiao International Airport is a 4E level airport which operates over 50 routes, with 40 domestic routes, and more than 30 international direct routes to South Korea, Singapore, Japan, Thailand, Hong Kong, Taiwan, Macau, etc.⁴
- **Communication infrastructure:** By the end of 2012, Hefei had 1.9069 million fixed-line users and 6.1547 million mobile phone users, as well as 933,900 broadband subscribers.

Human Resources

- **Education:** In 2012, Hefei had 60 general universities, with a student intake of 132,300, and 113,600 graduates. There was also a postgraduate student population of 33,200, and 8,700 graduates of postgraduate institutes.
- **Scientific research:** In 2012, the city established seven State Key Laboratories, 120 provincial and ministerial key laboratories and engineering laboratories, seven national-level engineering technology research centres (including sub-centres), 87 provincial-level engineering technology research centres, 18 national-level scientific research institutes and 115 provincial-level scientific research institutes.
- **Training:** There are more than 20 service outsourcing training institutions in Hefei, including an IBM software talent training base, the Carnegie Mellon–Hewlett-Packard (CMU-HP) software talent training project, Hefei outsourcing vocational training schools, etc., which provide training to nearly 10,000 students every year. In addition, there are 30 practical training bases.

Quality of living

- **Economic level:** In 2012, Hefei's GDP was USD 416.434 billion, an increase of 13.6 percent over 2011. Urban annual per capita disposable income and urban annual per capita consumption expenditure reached RMB 25,434 with an increase of 13.2 percent and RMB 18,758 with an increase of 19.5 percent respectively over 2011. In 2011, the average annual salary of full-time employees was RMB 45,442.2.
- **Natural environment:** In 2012, Hefei had 48 city parks covering an area of 22.76km², a public green area per capita of 12.8m², and there was 9.9028km² of new green area. The city green rate was 40.3 percent, there was a green coverage area of 152.88km² and a coverage rate of 45.2 percent. Throughout the whole year, there were 48 days with excellent air quality and 283 days of good air quality. In total, there were 331 days with good air quality in 2012.
- **Hotel:** In 2012, Hefei had 82 star-rated hotels, including nine five-star hotels.

¹ National Bureau of Statistics of China, 'China Statistical Yearbook 2012', www.stats.gov.cn; Hefei China, 'Hefei 2012 National Economic and Social Development Statistics Bulletin', www.hefei.gov.cn

² Hefei China, 'Hefei 2012 National Economic and Social Development Statistics Bulletin', www.hefei.gov.cn

³ Hefei Statistical Yearbook 2012, www.chinayearbook.com

⁴ China Statistical Yearbook 2012, www.chinayearbook.com

Nanchang

City Profile

- Nanchang is the capital of Jiangxi province.
- Nanchang is close to the Yangtze River Delta, Pearl River Delta and the South-east Fujian Economic Zone, and is the political, economic and cultural centre of Jiangxi province.



Overview¹

Geographical location: Nanchang is centrally located in the north of Jiangxi province, close to Poyang Lake.

Climate: Subtropical monsoon climate
Annual average temperature: 18.4°C (2011)
Annual average rainfall: 1,108.6mm (2011)

Population: 5,078,700 (2012)

Key industries: Automotive Manufacturing, Medicine and Pharmaceuticals, Food, Electronics, Metallurgy, New Materials, Textiles

Service outsourcing

Key service outsourcing providers (outsourced services)

Bertelsmann (Call centre services)	Inventec (IT services)
UFIDA Software Co. Ltd (IT services)	Ahead Software (Software development outsourcing)
ZTE Corporation (IT services)	Tellhow Sci-Tech Co., Ltd (ITO services)
Nanchang Golding Software Development Co., Ltd (Software development outsourcing)	Belltech (ITO services)
Strong Engineering (ITO services)	Giesecke & Devrient (IT services)

Key research & development centres

Hitachi (Internet of things)	Fuji Electric Co., Ltd (Motor)
Giesecke & Devrient (Applications)	

Source: Respective company websites

Some of the main contributing factors for Nanchang becoming a favoured service outsourcing destination

- Nanchang is one of China's 21 State Council-approved Service Outsourcing Model Cities.
- In 2012, actual used foreign capital in Nanchang amounted to USD 2.64 billion, a 15.4 percent increase from 2011.²
- At the end of 2012, 48 Fortune 500 companies had invested in Nanchang.²
- The Nanchang National High-Tech Technology Industrial Development Zone ("Nanchang National High-Tech Zone") is one of the Model Service Outsourcing Zones in China. It is home to nearly 2,000 different enterprises – over 260 are foreign invested companies, 13 are listed companies with their headquarters in the Nanchang National High-Tech Zone, eight are Fortune 500 companies, 139 are industrial enterprises of considerable size, 46 have over RMB 100 million in revenue each and three have over RMB 10 billion in revenue each. In 2011, the total revenue, total profit and tax, total financial income and the export amount of Nanchang National High-Tech Zone reached RMB 111.6 billion, RMB 11.8 billion, RMB 6.8 billion and USD 1.702 billion respectively.³

Present state of the service outsourcing sector

- In 2012, 16 foreign invested companies were launched in Nanchang. The new contracts amounted to USD 78.96 million. The city's foreign trade turnover for 2012 was USD 408 million for the foreign economy and trade.⁴
- In 2012, 132 service outsourcing enterprises joined the outsourcing industry in Nanchang, resulting in an overall outsourcing contract value of over USD 757 million and more than 50,000 employees in the entire industry.⁵ Information and technology outsourcing service dominated the service outsourcing sector, especially software industry outsourcing.⁴

Related incentives for service outsourcing

- **Government policies:** The Nanchang Municipal Government issued several beneficial policies, including *Several Implementation Rules for Promoting Nanchang's Service Outsourcing Industry* (June 2010), *Notice of Some Opinions to Further Promote the City's Service Outsourcing* (February 2009), *Notice of the Issuance of Some Policies to Promote Service Outsourcing in Nanchang* (August 2009), and *Implementation Rules for Management for High Technology Enterprises Designation in Nanchang* (December 2009). The main content includes: 1) a special fund to promote industry development; 2) incentives for service outsourcing talent training; 3) support for enterprises to develop international markets; 4) financial support for enterprises engaging in exports; and 5) encouragement for enterprises to apply for international certifications, such as CMMI/CMM.⁴
- **Industrial park policies:** The Nanchang National High-Tech Zone issued *Support Measures to Promote the Development of the Software and Service Outsourcing Industry* (Provisional) (February 2009); Qingyunpu District issued *Some Opinions to Promote the Development of Service Outsourcing (Pilot)* (March 2009); and the Hong Gu Tan New District issued *The Pilot Measures for the Development of Software and Service Outsourcing* (August 2009). Other districts like Donghu, Xihu, Qingshanhu and Wanli also issued relevant measures. The main content includes incentives for enterprises that purchase office facilities in the area, and incentives such as tax reductions and exemptions for enterprises which have revenue increases.⁴
- **Intellectual property policies:** In July 2008, the Nanchang Municipal Government launched the *Implementation Rules for Promoting and Protecting Patents*, which dramatically optimised the innovation and entrepreneurship environment, and encouraged innovation in the whole country.⁴

Development targets for service outsourcing

- In 2013, the goal is to create two to three service outsourcing cluster areas, cultivate two to three service outsourcing enterprises with an annual revenue of over USD 700 million each, and develop 10 enterprises with revenues over USD 140 million each. The aim is for service outsourcing turnover to reach over USD 4.3 billion.⁶

Infrastructure

- **Office parks:** Nanchang is home to industrial areas such as the Chang Dong Industrial Zone, Chang Nan Industrial Park, Nanchang Economic and Technological Development Zone and Hong Gu Tan New District. The Nanchang National High-Tech Zone was established in March 1991, with a total area of 231km², of which 32km² has been developed.⁴
- **Domestic and international traffic:**
 - In 2012, Nanchang had 1,581.57km of urban roads, an increase of 9.7 percent from 2011. The city's highway mileage reached 10,852.47km, and the expressways reached 341.75km.
 - Nanchang Changbei International Airport provides over 40 direct flights to cities inside and outside of China, including Beijing, Shanghai, Hong Kong, Macau, Seoul and Bangkok.⁶
 - Nanchang is connected to cities and towns along the Kanjiang River, Fu River, Poyang Lake, the ports of the Yangtze River, as well as the ocean via Jiujiang and the Port of Shanghai.⁷
- **Communication infrastructure:** At the end of 2012, Nanchang had 1.3785 million fixed-line users and 6.2075 million mobile phone users, as well as 830,600 broadband subscribers.²

Human resources

- **Education:** In 2012, Nanchang had 43 general universities, with a combined student intake of 143,600, a student population of 486,100, and 138,900 graduates. This includes postgraduate institutes, which had a combined student intake of 7,036, a student population of 20,200, and 6,350 graduates.²
- **Scientific research:** In 2011, the Nanchang National High-Tech Zone had 60 technology centres, including five state-level corporate engineering centres. Nanchang has also cultivated six National Innovation Experimental Enterprises, and 10 technology-supported service platforms.⁴
- **Training:** More than 330,000 students are enrolled in software and related training programmes in Nanchang. Nanchang is also home to training bases like the IBM-Ahead Service Outsourcing Talent Training Base, the Ambow Service Outsourcing Practical Training Base and the In-think Service Outsourcing Talent Training Centre.⁴

Quality of living

- **Economic level:** In 2012, Nanchang's GDP was RMB 300 billion, an increase of 12.5 percent from 2011. Urban annual per capita disposable income and urban annual per capita consumption expenditure reached RMB 23,602 with an increase of 13.8 percent and RMB 16,450 with an increase of 8 percent over 2011 respectively. In 2011, the average annual salary of full-time employees was RMB 39,816.2.⁸
- **Natural environment:** By the end of 2012, Nanchang had 87.46km² of urban green space, 92.41km² of green coverage area and green coverage of 43 percent. There were 330 days with good air quality in 2012.²
- **Hotels:** In 2012, Nanchang had 57 star-rated hotels, including seven five-star hotels.²

¹ National Bureau of Statistics of China, 'China Statistical Yearbook 2012', www.stats.gov.cn; Statistic Bureau of Jianxi, 'Nanchang 2012 National Economic and Social Development Statistics Bulletin', www.jxstj.gov.cn

² Statistic Bureau of Jianxi, 'Nanchang 2012 National Economic and Social Development Statistics Bulletin', www.jxstj.gov.cn

³ Nanchang National High-tech Industrial Development Zone, www.nchdz.com

⁴ Nanchang Outsourcing, www.ncsourcing.gov.cn

⁵ Nanchang Evening Paper, www.ncwbw.cn

⁶ People's Government of Jiangxi Province, www.jiangxi.gov.cn

⁷ JiangXi Morning Post, www.jxcb.net

⁸ National Bureau of Statistics of China, 'China Statistical Yearbook 2012', www.stats.gov.cn

Nanjing

City Profile

- Nanjing is the capital city of Jiangsu province and is renowned for its history and culture.
- Nanjing is one of China's important industrial production and research bases.



Overview¹

Geographical location: Nanjing is located downstream of the Yangtze River, south of Jiangsu province.

Climate: Humid subtropical monsoon climate
Annual average temperature: 16.1°C (2011)
Annual average rainfall: 1,077.0 mm (2011)

Population: 8,161,000 (2012)

Key industries: Electronic Information, Petrochemicals, Automobiles, Steel, Wind Power, Photovoltaic Equipment, Communications, Energy Saving and Environmental Protection, Biological Medicine, New Materials, Rail Transportation, Software and Service Outsourcing, Finance

Service outsourcing

Key service outsourcing providers (outsourced services)

ZTE (ITO services, software development outsourcing)	iSoftstone (ITO & BPO services)
Neusoft (IT services)	Alcatel (IT services)
Linkage Technology (ITO services)	Eagle Technology (KPO services)
Liandi Information Systems (ITO services)	ACCESS (ITO services)
Nanjing Fujitsu Nanda (Software development outsourcing)	HopeRun (Software development outsourcing)

Key shared service centres (captive)

Celanese AG (Asia shared service centre)

Key research & development centres

Samsung (China) R&D Centre (Research of digital system solutions and cutting-edge technology)	Hella Nanjing R&D Centre (Research and development of electronic and lighting products and technology)
Lenovo R&D Centre (Research and development of mobile terminal technology)	ZTE Nanjing R&D Centre (R&D, production and production network core devices, TD mobile phones, business products, digital products)

Source: Respective company websites

Some of the main contributing factors for Nanjing becoming a favoured service outsourcing destination

- Nanjing is one of China's 21 State Council-approved Service Outsourcing Model Cities.
- In 2012, the total number of software industrial enterprises in Nanjing reached 1,900. The software business income was RMB 207.6 billion, an increase of 37 percent compared to 2011. The software product income was RMB 71.62 billion, an increase of 32 percent compared to 2011. The information system integration service income was RMB 51.9 billion, a year-on-year growth rate of 30 percent.³
- In 2012, Nanjing approved 461 new foreign invested enterprises, a 37.2 percent increase compared to 2011. New registered foreign capital contracts amounted to USD 6.12 billion, a decrease of 0.8 percent compared to 2011; the actual use of foreign investment was USD 4.13 billion, an increase of 18 percent; annual foreign service contracts amounted to USD 1.61 billion, an increase of 29.7 percent from 2011; and the actual completed foreign service contracts amounted to USD 2.234 billion.
- At the end of 2012, employment numbers rose to 11,643, an increase of 94.3 percent compared to 2011.⁴

Present state of the service trade sector

- As at 2012, Jiangsu province's service trade import and export volume increased 6.2 times over the previous five years. Accumulative actual foreign investment utilised was USD 146.8 billion, helping the province maintain its leading position in the service trade sector in China.²
- In 2011, the total value of Nanjing's service trade imports and exports was USD 7.57 billion, with a year-on-year growth of 30.4 percent and accounting for 11.6 percent of the city's foreign trade. Service trade exports amounted to USD 3.07 billion, accounting for 40 percent of the total and a year-on-year increase of 17.02 percent. Service trade imports totalled USD 4.51 billion, an increase of 41.44 percent and accounting for 60 percent of the total. Nanjing was ranked second among all cities in Jiangsu province for total service trade, export of service trade and import of service trade.²

Present state of the service outsourcing sector

- The main service outsourcing business areas are the Software industry, Biological Medicine, Industrial Design, Animation and other fields. Of these, the Software industry, as the representative of Information Technology Outsourcing, is the main type of business.⁵

- Nanjing's outsourcing business development mainly focuses on Information Technology, Digital Content, R&D, Industrial Design, the Animation Industry, Biological Medicine, Logistics and Finance Service Outsourcing. It endeavours to develop local well-known enterprises and attract MNCs' regional headquarters, R&D centres, service centres, and the world's leading training centres and consulting companies to invest in Nanjing. A number of well-known international services outsourcing enterprises currently have a presence in Nanjing, e.g. Oracle, iSoftStone, Pactera Technology International Ltd, Neusoft, as well as other well-known domestic and foreign service outsourcing enterprises. Capgemini, Ascendas, Microsoft (China), BearingPoint and Satyam have established service outsourcing strategic and cooperative relations with Nanjing.⁵
- In 2012, Nanjing had a total of 1,311 service outsourcing enterprises, 289 more than in 2011. The total signed outsourcing contract value was USD 7.14 billion, an increase of 57.7 percent, or 34.6 percent of the total value of the entire province, of which offshore outsourcing contracts reached USD 2.94 billion – this is a year-on-year growth of 36.2 percent, accounting for 24.8 percent of the total in Jiangsu province. The executed service outsourcing contracts were USD 6.37 billion, with year-on-year growth of 49.9 percent. This accounted for 38 percent of the province's service outsourcing, which included an offshore outsourcing execution amount of USD 2.76 billion, resulting in a year-on-year increase of 46.8 percent, or 28.3 percent of the entire province.⁵
- In 2012, Nanjing's service outsourcing business management and statistics system registered a total of 604 service outsourcing enterprises with active operations. There were also 76 additional active enterprises or 14.6 percent growth compared to 2011. This rise has resulted in Nanjing's outsourcing enterprises delivering business to 42 Fortune 500 enterprises such as Ford, Intel, Microsoft and Fujitsu. At the end of 2012, the city's service outsourcing enterprises employed 248,000 people, an increase of 32.3 percent compared to 2011.⁵

Related incentives for service outsourcing

- **Government policies:** The Nanjing Municipal Government has issued a series of incentive policies, including the *Implementation Measures for Policies on Supporting the Development of International Service Outsourcing Businesses* (No. 88, 2011). Key content includes: 1) incentives for international service outsourcing companies; 2) incentives for attracting talent; 3) incentives for international certification applications and patent applications; and 4) investment and financing support.⁵
- **Industrial park policies:** The management committee of the Nanjing High Technology Industrial Development Zone has established special support and venture funds to support the development of enterprises residing in Nanjing Software Park through various measures including investment and guarantees. Preferential policies for taxation and office leasing are also available.⁵
- **Intellectual property policies:** Nanjing enacted the fund management approach for patents and special projects to further support technical innovation and invention, as well as to promote independent intellectual property rights and market prospects for the development of the high-tech service industry.⁵

Development targets for service outsourcing

- During China's 12th Five-Year Plan, Nanjing's service outsourcing industry will strive to maintain an average annual increase of the execution value of more than 40 percent and will constantly optimise the service outsourcing business structure to achieve 50 percent weighting for total BPO and KPO by 2015.⁵

Infrastructure

- **Office parks:** Nanjing has five state-designated service outsourcing demonstration areas – Nanjing High Technology Industrial Development Zone, Gulou District, Xuanwu District, Jiangning Economic Development Zone and Yuhuatai District.⁵
- **Domestic and international traffic:**
 - Projects such as the Weiqilu under river tunnels, Nanjing Yangtze River Bridge No. 4 and the beltway supporting the development of the city are now complete.
 - The Beijing-Shanghai and Shanghai-Nanjing Railways, as well as the Nanjing South Railway Station, are now open.
 - Nanjing Lukou International Airport has more than 130 flights connecting Nanjing with 54 Chinese cities and 20 overseas destinations. There are direct flights from Nanjing to Frankfurt, Bangkok, Tokyo and Singapore.⁴
- **Communication infrastructure:** In 2012, Nanjing had 2.89 million fixed-line users, 11.53 million mobile phone users and 2.7 million broadband access users.⁴

Human resources

- **Education:** In 2012, Nanjing had a total of 54 colleges and universities, with a combined total of 719,600 students (excluding postgraduates). There were also 31 postgraduate training institutions (scientific research institutions, colleges and universities), with a combined total of 95,700 postgraduate students.⁴
- **Scientific research:** In 2012, Nanjing had 307 engineering technology research centres, including 16 state-level, 248 provincial-level and 43 municipal-level centres. Nanjing had 112 provincial science and technology platforms for public service and 67 provincial-level key laboratories, with 25 of these being State Key Laboratories.⁴
- **Training:** About 27,000 people attend software training annually. Nanjing University and Southeast University, the two National Institutes of Software, cooperate with IBM, Oracle, Microsoft, HP, Intel and nearly 50 of the world's leading MNCs or training institutions to set up service outsourcing training courses. Satyam has established a training centre which caters to up to 5,000 people in the Nanjing High Technology Industrial Development Zone.⁵

Quality of living

- **Economic level:** In 2012, Nanjing's GDP was RMB 720.16 billion, an 11.7 percent increase compared to 2011. The annual per capita disposable income of urban residents was RMB 36,322, a 12.8 percent increase compared to 2011.⁴ The average annual salary of full-time employees was RMB 54,711.9.⁶
- **Natural environment:** In 2012, the per capita park green area in Nanjing reached 14.2m², the urban green coverage rate was 44.6 percent, and the forest coverage rate was 27.26 percent. The annual air quality was excellent, with 317 days of good air quality.⁴
- **Hotels:** In 2012, the total number of star-rated hotels in Nanjing was 115, including 16 five-star hotels.⁴

¹ National Bureau of Statistics of China, 'China Statistical Yearbook 2012', www.stats.gov.cn; Nanjing 2012 National Economic and Social Development Statistics Bulletin, www.njtj.gov.cn

² Chinanews, www.chinanews.com

³ Askci, 'China Market Research Report', www.askci.com

⁴ Nanjing 2012 National Economic and Social Development Statistics Bulletin, www.njtj.gov.cn

⁵ Nanjing Outsourcing, www.njsmj.gov.cn

⁶ National Bureau of Statistics of China, '2012 China Statistical Yearbook 2012', www.stats.gov.cn

Ningbo

City Profile

- Ningbo is one of China's coastal cities with access to international trade.
- It is one of Eastern China's most important industrial cities and foreign trade ports.



Overview¹

Geographical location: Ningbo is located in the north-east of Zhejiang province, with Hangzhou Bay to the north.

Climate: North subtropical monsoon zone
Annual average temperature: 17.3°C (2011)
Annual average rainfall: 1,383.6mm (2011)

Population: 7,639,000 (2012)

Key industries: Textiles, Household Appliances, Machinery, Automobile Parts, Petrochemicals, Power Supply

Service outsourcing

Key service outsourcing providers (outsourced services)

IBM (IT services)	Digital China Holdings Ltd (IT services)
China Eastsea Business Software (BPO services)	Ningbo Shengtian (Software development outsourcing)
Zhejiang Easy Vehicle Co., Ltd (ITO services)	ESSE Tech (ITO services)
Ningbo eKey Ruineng Electric Technology Co., Ltd (ITO services)	KINGT Software (ITO services)
Zhejiang Tecco (BPO services)	Ningbo Rendering Film & Animation (KPO services)

Key research & development centres

BYD Ningbo PV and R&D Centre (Research and develop crystalline silicon solar cells)	TCL Communication Technology Holdings (R&D centre – mobile)
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Key financial back-office service centres

Ningbo Financial Service Co., Ltd (Professional services, including finance backstage system hardware and software R&D, bill distribution, file sorting, information processing, cash logistics, audit centre operations, process reconstruction, customised service)	Greatwall Life Insurance Co., LTD (Digital centre)
Everbright Securities Co. Ltd (Backup centre)	Zhe-shang Property Co., Ltd (Backup centre)
Ningbo Communication Digital Service Centre (IDC base)	

Source: Respective company websites

Some of the main contributing factors for Ningbo becoming a favoured service outsourcing destination

- In 2012, 437 foreign invested enterprises were newly registered, a 5.9 percent increase. The new contracts totalled USD 5.31 billion and the actual used foreign investment was USD 2.85 billion, an increase of 1.5 percent. There was initial success from the introduction of Fortune 500 companies to the area such as Peugeot and Cardinal Health, and there were up to 38 Fortune 500 companies in Ningbo in 2013. These 38 companies had so far set up 94 enterprises in Ningbo, with total investment of USD 9.2 billion.³
- The Ningbo Economic & Technical Development Zone was founded in October 1984 after getting approval from the Chinese State Council. By June 2009, 1,416 foreign invested enterprises had been established, with total foreign investment of USD 23 billion and actual investment of USD 11.8 billion, while 380 projects were each worth over USD 10 million. Ningbo is characterised by the joint development of manufacturing industries along the Port, Machinery Equipment, Optoelectronic Information, Automobile and Auto Parts Manufacturing, and Modern Service industries. The Ningbo Economic & Technical Development Zone has ranked first among all the development zones in Zhejiang province for six consecutive years, and it is also evaluated as one of the five best national development zones by the Chinese Ministry of Commerce.⁴
- The Ningbo National High-tech Industrial Development Zone was founded in 1999. The zone attracted many Fortune 500 enterprises such as IBM, TRW, Microsoft, Schneider Electric and Huawei. The Ningbo National High-tech Industrial Development Zone has 82 enterprises with an output production value over RMB 100 million each, nine enterprises with over RMB 1 billion each, three enterprises with over RMB 5 billion each and one enterprise with over RMB 10 billion. Ningbo Software Park has attracted around 40 percent of the city's software enterprises and 30 percent of the city's service outsourcing enterprises, and it is now one of the 10 best service outsourcing parks in China.⁵

Present state of the service trade sector

- In 2010, the total volume of Ningbo's international importing and exporting service trade versus cargo trade was only 1:26, which was much lower than the national level of 1:10. Since Ningbo falls behind in the international service trade field, the potential for development is tremendous.²

Present state of the service outsourcing sector

- The ITO sector in Ningbo mainly includes embedded software R&D, industry application software and customer-tailored software R&D, system integration, and animation outsourcing; the BPO sector mainly includes business operating service and logistics, and supply chain management.⁶
- In 2012, service outsourcing contracts worth RMB 11.46 billion were signed in Ningbo, a year-on-year growth of 33.8 percent, and the executed amount was RMB 8.46 billion, a year-on-year growth of 34.1 percent. The signed contract value of Ningbo's offshore outsourcing services was USD 530 million, a year-on-year growth of 39.8 percent, and the executed amount was USD 410 million, a year-on-year growth of 46.4 percent. By 2012, there were 723 service outsourcing enterprises in Ningbo, with 29,000 staff members.³

Related incentives for service outsourcing

- **Government policies:** The Ningbo Municipal Government has issued many policies to promote service outsourcing, such as *Detailed Rules for the Implementation of Supportive Policies on the Promotion of Service Outsourcing in Ningbo* (tentative) (August 2008). The main content includes the provision of: 1) a special fund to support service outsourcing development; 2) incentives for enterprises to boost international certification; 3) fund support to promote training for service outsourcing talent; 4) encouragement for enterprises to develop offshore outsourcing; and 5) subsidies for enterprises which attend trade fairs inside and outside China.⁶
- **Industrial park policies:** The Ningbo Municipal Government issued *Opinions on Further Promotion of the Software Industry* (April 2007). It outlines subsidies for software enterprises which rent offices in the software park, and provides one-off subsidies to large software enterprises (whose headquarters or regional headquarters and R&D institutions are settled in Ningbo) which purchase office facilities for their own use.⁶
- **Intellectual Property:** In 2010, Ningbo issued the *Management Regulation on Enterprise Intellectual Property in Ningbo*. This included the intellectual property management system structure, and management patterns and regulations.⁷

Development target for service outsourcing

- By 2015, the amount of service outsourcing contracts is expected to reach RMB 20 billion, and the executed amount is expected to reach RMB 14 billion. During China's 12th Five-Year Plan period, Ningbo aims to establish eight or more municipal-level model service outsourcing zones, and provide training to more than 10,000 people.³

Infrastructure

- **Office parks:** Ningbo is home to national-level development zones such as the Ningbo Economic & Technical Development Zone, Ningbo Free Trade Zone, Ningbo Export Processing Zone, and Ningbo National Hi-tech Industrial Development Zone. An 'incubator' of 250,000m², including the Ningbo Hi-tech Innovation Centre and the Zhejiang University National Science Park (Ningbo), has been completed in the Ningbo National Hi-tech Industrial Development Zone. The Ningbo Economic and Technical Development Zone covers an area of 29.6km², of which 600,000m² has been completed for factory buildings.⁶

Domestic and international traffic:

- Ningbo has 10,455km of highways, including 30.2km of expressways and 209km of newly renovated countryside roads.
 - Xiaoshan-Hangzhou Railway and Hangzhou-Taizhou-Wenzhou Railway are the main railways in Ningbo, and are connected to the national railway network through the Zhejiang-Jiangxi railway line, Shanghai-Hangzhou railway line and the Port of Ningbo.
 - Ningbo Lishe International Airport has around 900 flights landing and departing each week, with direct flights to major domestic cities such as Beijing, Shanghai and Guangzhou, as well as direct overseas flights to Seoul and Hong Kong.
 - The Port of Ningbo has 236 container routes to over 600 ports in more than 100 countries and districts.³
- **Communication infrastructure:** In 2012, Ningbo had two million fixed-line telephone subscribers, 11.35 million mobile subscribers and 3.09 million internet subscribers.³

Human Resources

- **Education:** In 2012, Ningbo had 16 general universities with a combined intake of 145,000, including a postgraduate intake of 6,700.³
- **Scientific research:** In 2012, 38 provincial-level high-tech enterprise R&D centres, 12 provincial-level enterprise engineering centres and 130 city-level enterprise engineering (technology) centres were recognised. There were also 189 high-tech enterprises, three national-level innovative enterprises, four provincial-level innovative model enterprises and seven provincial-level innovative pilot enterprises which were newly set up.³
- **Training:** Ningbo has two national software colleges – Zhejiang University's College of Software Technology is one of the national model software colleges, and the Software College of Ningbo Dahongying University is one of the model software technology vocational colleges in China.⁶

Quality of living

- **Economic level:** In 2012, Ningbo's GDP was RMB 652.47 billion, an increase of 7.8 percent over the previous year. Urban annual per capita disposable income was RMB 37,902, an increase of 11.3 percent.³ In 2011, the average annual salary was RMB 49,756.4.⁸
- **Natural environment:** In 2012, the public green area totalled 110.8km², with green coverage of 101.13km².⁹
- **Hotel:** In 2012, Ningbo had 170 star-rated hotels, including 19 five-star hotels.³

¹ National Bureau of Statistics of China, 'China Statistical Yearbook 2012', www.stats.gov.cn; Ningbo Municipal People's Government, 'Ningbo 2012 National Economic and Social Development Statistics Bulletin', gtog.ningbo.gov.cn

² CNNB Ningbo View, www.cnnb.com.cn

³ Ningbo Municipal People's Government, 'Ningbo 2012 National Economic and Social Development Statistics Bulletin', gtog.ningbo.gov.cn

⁴ Ningbo Economic & Technical Development Zone, www.netd.gov.cn

⁵ Ningbo National Hi-tech Industrial Development Zone, www.nbhtz.gov.cn

⁶ Ningbo Association of Service Outsourcing, www.nbfwwb.cn

⁷ Ningbo Intellectual Property Bureau, www.nbipo.gov.cn

⁸ National Bureau of Statistics of China, 'China Statistical Yearbook 2012', www.stats.gov.cn

⁹ Ningbo Urban Management Bureau, www.nbcg.gov.cn

Shanghai

City Profile

• Shanghai is one of the four municipalities directly under China's Central Government, and is the core city of the Yangtze River Delta Economic Circle.

• Shanghai is one of the most important economic and financial centres, transportation hubs and foreign trade ports in China.



Overview¹

Geographical location: Shanghai lies in the middle of China's coastline, with the East China Sea to the east, Hangzhou Bay in the south, Jiangsu and Zhejiang provinces to the west, and the estuary of the Yangtze River to the north.

Climate: Subtropical monsoon climate
Annual average temperature: 16.9°C (2011)
Annual average rainfall: 1,009.1mm (2011)

Population: 23,804,300 (2012)

Key industries: Finance, Electronic Information, Iron & Steel, Automobiles, Petrochemicals, Chemicals, Pharmaceuticals, New and Advanced Technology

Service outsourcing

Key service outsourcing providers (outsourced services)

IBM (IT services)	HP (IT services)
TCS (IT & BPO services)	Infosys (ITO & BPO services)
Cognizant (IT services)	ADP China (Human resources outsourcing)
Bleum (Software development outsourcing)	Wicresoft (Call centre and IT services)
Hyrion (Software development outsourcing)	Wipro (BPO services)
Accenture (ITO services)	

Key shared service centres (captive)

Siemens (Global Shared service centre)	CPIC (Shared service centre)
China Telecom (Financial shared service centre)	HSBC (Shared service centre)
Motorola (Shared service centre)	

Key research & development centres

Nokia Siemens (R&D centre)	Baidu (R&D centre)
ExxonMobil (R&D centre)	Unilever (R&D centre)
Nestlé (R&D centre)	UFIDA (R&D centre)

Key financial back-office service centres

CIMB (Credit card centre)	Bank of Shanghai (Background service centre)
Citibank (Data centre)	Ping An Insurance (Backup centre)

Source: Respective company websites

Some of the main contributing factors for Shanghai becoming a favoured service outsourcing destination

- Shanghai is one of the 21 State Council-approved Service Outsourcing Model Cities across the nation.
- The following have been established in Shanghai: Zhangjiang Software Export Base; Biomedical R&D and Financial Back-office Service Base; Jinqiao R&D and Design Service Base; Lujiazui Information Service Base; Caohejing Software Industrial Base; and Waigaoqiao Information Technology and Logistical Services Base.
- In 2012, Shanghai approved 4,043 FDI projects, with a foreign investment contract value of USD 22.338 billion and an executed value of USD 15.185 billion. Of these projects, 286 amounted to USD 10 million each, with a contract value of USD 19.449 billion.
- As at the end of 2012, 154 countries and regions had investments in Shanghai, with 50 newly founded MNCs' regional headquarters, 25 investment companies and 17 foreign R&D centres. By 2012, Shanghai was hosting 403 MNCs' regional headquarters, 265 investment companies and 351 foreign R&D centres.³
- In April 2009, the State Council issued *Opinions on Promoting the Development of Shanghai's Modern Service Industry and Advanced Manufacturing Industry, and the Development of the International Financial Centre and International Shipping Centre*. By 2020, the city aims to become an international financial and shipping centre, matching China's economic strength and the renminbi's international position.

Present state of the service trade sector

- In 2012, the aggregate trade value of Shanghai's service imports and exports was USD 151.56 billion – this included import value of USD 100.03 billion with a 22.1 percent increase over 2011 and export value of USD 51.53 billion with a year-on-year increase of 8.9 percent. Both import and export volumes ranked first in China, while the increase compared to 2011 also ranked first among the national top 10 import and export cities. In terms of the foreign trade structure, imports played a dominant role, accounting for 66 percent of the aggregate import and export value.²

Present state of the service outsourcing sector

- Shanghai focuses on developing financial service outsourcing, movie and TV game production, application software development, etc.
- In 2010, Shanghai signed service outsourcing contracts worth USD 2.753 billion, an increase of 63.6 percent, of which the value of executed offshore outsourcing was USD 1.753 billion, marking an increase of 69.2 percent.⁴
- In 2010, Shanghai had five service outsourcing model zones, 11 service outsourcing parks and 822 service outsourcing companies – 216 more than at the end of 2009. Some of the world's Fortune 500 companies such as Infosys, ADP, HSBC and Citigroup have established their Asia Pacific or global data processing centres in Shanghai.⁵
- As at the end of 2010, the city's service outsourcing companies employed 142,300 people, marking an increase of 38,000 compared to the previous year.⁵
- In 2010, ITO, BPO and KPO services in Shanghai accounted for 67.9 percent, 14.4 percent and 14.5 percent respectively of all outsourcing services provided in the city that year.⁵

Related incentives for service outsourcing

- **Government policies:** The Shanghai Government released a series of policies: *Shanghai Municipal Government's Implementation Views on Promoting the Service Outsourcing Industry in Shanghai* (November, 2009)⁵ and Notice of the Shanghai Government to Promote the Development of the Service Outsourcing Industry in Shanghai (August 2006).² These measures include: 1) providing special funds to support service outsourcing companies; 2) providing service outsourcing companies with preferential policies; 3) improving service outsourcing companies' financing conditions; 4) supporting companies to take advantage of domestic and global markets; and 5) providing companies with quality internet services.
- **Industrial park policies:** Each service outsourcing park has also introduced policies to promote service outsourcing business, such as the issue of *Implementation Measures of Shanghai Zhangjiang Hi-tech Park Regarding Supporting National Hi-tech Industrial Standardization Model Zone (Test)*.⁶ These measures include: 1) providing special funds to support enterprises in the park; 2) encouraging commitment and participation in the standards and regulation revision; 3) encouraging the adoption of international standards; 4) strengthening the standardisation of professionals' team building; 5) strengthening the public service sector, etc.
- **Intellectual property policies:** Shanghai released *Shanghai Intellectual Property Protection Strategic Outline* (2004–2010) in 2004 and supporting policies on implementing the *Shanghai Medium to Long-term Scientific and Technological Development Plan* in 2006. These policies aim to achieve the national goal of being an innovative city, and focus on the three main aspects: increasing investment in innovative elements, increasing the efficiency of innovative activities and striving to achieve innovative value. Moreover, 36 policies on taxation, finance, intellectual property, talent development, government procurement, and supervision and evaluation have been issued.

Infrastructure

- **Office park:** Several development zones have been established in Shanghai, including Zhangjiang Hi-tech Park, Hongqiao Economic and Technological Development Zone, as well as Lujiazui Finance and Trade Zone. Phases I and II of Shanghai

Pudong Software Park have an area of 30,000m² and 94,000m² respectively, whilst Phase III has a planned area of approximately 580,000m².

- **Domestic and international traffic:**

- Shanghai had 806km of expressways in 2012. Expressways linking Shanghai with Nanjing, Hangzhou and Beijing are in operation, and it takes about 14 hours to drive from Shanghai to Beijing by expressway.
- The Beijing-Shanghai and Shanghai-Hangzhou Railways link Shanghai with other major railways across China. The city also has 12 urban rail transport lines and one maglev line.
- Shanghai has two airports – Shanghai Pudong International Airport and Shanghai Hongqiao International Airport – which operate routes to over 82 international cities and regions.⁷

- **Communication infrastructure:** By the end of 2011, Shanghai had 9.029 million fixed-line users and 30.083 million mobile phone users, including 7.482 million 3G users, as well as 17.5 million internet subscribers.

Human Resources

- **Education:** In 2012, Shanghai had 67 general universities, with a student intake of 141,100, a student population of 511,300, and 139,000 graduates. There were also 58 postgraduate institutions, with a student intake of 44,200, a student population of 127,000, and 34,500 graduates.
- **Scientific research:** In 2011, there were 43 national-level corporate technology centres and branches, 360 municipal-level corporate technology centres, and a total of 3,589 certificated high-tech enterprises in Shanghai.⁸
- **Training:** There are four model software institutes and 781 vocational technical schools. There are also more than 500 computer application technology training institutes which have so far provided training to nearly 100,000 people, of which 30 percent are from the Software Technology discipline. The training centres for service outsourcing use colleges to promote training for service outsourcing talents.

Quality of living

- **Economic level:** In 2012, Shanghai's GDP reached RMB 2,010.133 billion, an increase of 7.5 percent over 2011. Urban annual per capita disposable income and per capita consumption expenditure reached RMB 40,188 with an increase of 8.2 percent and RMB 26,253 with an increase of 4.6 percent respectively compared to 2011. The average annual salary of full-time employees was RMB 52,665.³
- **Natural environment:** In 2012, Shanghai added new green space of 10.379km², including 5.1335km² of public green space. At the end of the year, the green coverage rate in built-up areas reached 38.3 percent. The total additional forestation area in 2012 reached 11.68km², with the forest coverage rate at 12.58 percent. The annual API rate reached 93.7 percent.
- **Hotel:** In 2011, Shanghai had 278 star-rated hotels, including 55 five-star hotels.

¹ National Bureau of Statistics of China, 'China Statistical Yearbook 2012', www.stats.gov.cn; Shanghai 2012 National Economic and Social Development Statistics Bulletin, <http://www.stats-sh.gov.cn>

² Shanghai International Trade Center, www.sh-itc.net

³ Shanghai 2012 National Economic and Social Development Statistics Bulletin, www.stats-sh.gov.cn

⁴ China Sourcing, 'Chinese Service Outsourcing Briefing Column', <http://chinasourcing.mofcom.gov.cn>

⁵ China Sourcing, <http://chinasourcing.mofcom.gov.cn>

⁶ ZJ Innopark, www.zjpark.com

⁷ Shanghai Municipal Government, www.shanghai.gov.cn

⁸ Shanghai 2011 National Economic and Social Development Statistics Bulletin, www.stats-sh.gov.cn

Suzhou

City Profile

- Suzhou is one of the most famous historical and cultural cities in China.
- It is one of the most important cities in the Yangtze River Delta Economic Zone, and is the industrial centre of south Jiangsu province.



Overview¹

Geographical location: Suzhou is located in the south-east of Jiangsu province, with Shanghai to the east, Zhejiang to the south, Taihu Lake to the west and the Yangtze River to the north.

Climate: Subtropical monsoon marine climate
Annual average temperature: 17°C (2011)
Annual average rainfall: 1,000mm (2011)

Population: 6,478,100 (2012)

Key industries: Communications Equipment, Computers and Other Electronic Equipment Manufacturing, Ferrous Metal Smelting and Rolling Processing, Textiles, Chemical Materials and Chemical Products Manufacturing, General Equipment Manufacturing

Service outsourcing

Key service outsourcing providers (outsourced services)

NCS (ITO services)	Canon (Suzhou) System Software Inc. (ITO services)
Tangram Customer Interaction Centre (Call centre services)	Capgemini (BPO services)
Bank of China Financial Business (BPO services)	Jiangsu Yuanyang Data Processing (BPO services)
Suoft (ITO services)	Founder International (ITO services)
Global Data Solutions (ITO services)	AppTec (KPO services)
iSoftStone (ITO and BPO services)	HP (ITO services)
iQue (Animation and game services)	Samsung Semiconductor (R&D services)
Genpact (ITO and BPO services)	Manpower (Human resources outsourcing)

Key shared service centres (captive)

IBM (Management shared service centre)	Johnson & Johnson (Finance shared service centre)
Black & Decker (Shared service centre)	

Key research & development centres

Dextrys-Avid Global R&D Centre	Cisco Suzhou R&D Centre
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Source: Respective company websites

Some of the main contributing factors for Suzhou becoming a favoured service outsourcing destination

- Suzhou is one of the 21 State Council-approved Service Outsourcing Model Cities across the nation.
- Suzhou has a National Torch Plan Software Industry Base and National Animation Industrial Base.³
- The following parks have been established to support the services market:
 - One state-level service outsourcing model base – Suzhou Industrial Park
 - Two provincial-level service outsourcing model cities – Kunshan and Taicang
 - Nine provincial-level service outsourcing model bases – Kunshan Huaqiao Economic Development Area, Suzhou National New & Hi-tech Industrial Development Zone, Zhangjiagang Economic Development Zone, Changshu New & Hi-tech Industrial Development Zone, Wujiang Fenhui Economic Development Zone, Wuzhong Economic Development Zone, Kunshan Software Park, Taihu Science and Technology Industrial Park, and Taicang Economic Development Zone.³
- In 2012, actual used foreign investment totalled USD 9.1 billion, a year-on-year increase of 2.8 percent. Of this, USD 3 billion was investment in the service industry, an increase of 3.1 percent compared with 2011 and accounting for 33 percent of the total actual investment. New industries and high-tech projects accounted for USD 3.5 billion, or 38.3 percent. There were 45 regional or functional headquarters set up in 2012, which created a total of 180 headquarters in Suzhou, while the government identified 43 companies in the first batch of provincial and functional regional headquarters of multinational institutions. As at 2012, 145 Fortune 500 companies had settled in Suzhou.⁴

Present state of the service trade sector

- As at 2012, the total import and export trade in services had increased 7.1 times over the previous six years, with the amount of actual used foreign investment totalling USD 101.1 billion.²

Present state of the service outsourcing sector

- Suzhou has formed these six major service outsourcing industry clusters: Software Development, R&D and Design, Animation Innovative Work, Logistics/Supply Chain Management, Financial Back-office Processing, and Biomedical R&D.³

- In 2012, the signed contract value of Suzhou's outsourcing services was USD 5.6 billion, an increase of 56.8 percent over 2011, with an executed offshore outsourcing contract value of USD 3.05 billion, an increase of 51.9 percent.⁴
- As at 2012, Suzhou was home to more than 1,900 service outsourcing enterprises, with 180,000 employees. By the end of 2012, 92 enterprises had been granted CMMI/CMMI3 certification and above, of which six enterprises had been granted CMMI5; 136 enterprises had been granted ISO2700; and 133 enterprises had been certified as advanced technology service enterprises.⁵

Related incentives for service outsourcing

- **Government policies:** The Suzhou Municipal Government has issued a series of policies, including *Several Opinions Concerning the Promotion of the Development of the Outsourcing Industry* (August 2007) and *Several Policies Concerning the Promotion of the Development of the Outsourcing Industry* (April 2011). The main content includes: 1) a special fund to support service outsourcing development; 2) subsidies to enterprises establishing their headquarters or regional headquarters in Suzhou; 3) subsidies to enterprises for expenses related to office buildings, internet and communications, and international certifications; and 4) financial rewards for companies engaged in offshore outsourcing.³
- **Industrial park policies:** Model outsourcing parks and zones in Suzhou have issued policies to support industry development. The main content includes providing: 1) special subsidies or rewards to service outsourcing enterprises every year for office buildings, training, international certification, and market promotion; and 2) support to enterprises applying for investment or financing.³
- **Intellectual property policies:** *Suzhou initially released Suzhou Intellectual Property Strategy Outline* (2006–2020) in 2006. The Suzhou Government set up the Intellectual Property Office, which is quite uncommon in cities in China. The Intellectual Property Office merged the patents and copyright functions with tightened management and service. In addition, the establishment of intellectual property legal aid centres also provides intellectual property protection assistance.³

Development targets for service outsourcing

- By 2015, the total contract value of service outsourcing is projected to reach USD 15 billion, with executed offshore outsourcing reaching USD 7 billion. The goal is to form 90 service outsourcing enterprises with over 1,000 employees each, and to reach 300,000 employees in total for the whole city.³

Infrastructure

- **Office park:** Suzhou has set up 17 development zones at the provincial level or above. This includes 12 national-level development zones – Suzhou Industrial Park, Suzhou National New & Hi-Tech Industrial Development Zone, Kunshan Economic & Technical Development Zone, Zhangjiagang Free Trade Zone, Suzhou Taihu Lake Tourist Resort, Zhangjiagang Economic Development Zone, Changshu Economic Development Zone, Taicang Gang Economic Development Zone, Wuzhong Economic Development Zone, Wujiang Economic Development Zone, Changshu High-tech Industrial Development Zone, and Hushuguan Economic Development Zone. The State Council has approved Zhangjiagang Free Trade Zone to be the motor vehicle import port, and Suzhou National New & Hi-Tech Industrial Development Zone is the first national intellectual property service industry cluster development experimental area in China.⁴

Domestic and international traffic:

- Urban rail transit Line 1 is in operation, making Suzhou the first operator of a prefecture-level city rail transit system. Line 2, Line 4 and its branches, the extension of Line 2, Taicang High-speed Railway, and the section from Kunshan to Wujiang of the Changjia High-speed Railway are under construction.
- Construction of the northern section of Suyuzhang Expressway has been completed and is in use. Work on the Central Expressway project has started, and the construction of the extension of the eastern and southern sections is progressing quickly.
- Suzhou has three ports – Zhangjiagang, Changshu and Taicang – with over 90 freight routes within and outside of China.⁴
- **Communication infrastructure:** By the end of 2012, Suzhou had 15,550,000 mobile phone users and 2,835,700 broadband subscribers.⁴

Human Resources

- **Education:** As at 2012, Suzhou had 20 general universities, with a student population of 192,200, and 49,700 graduates.⁴
- **Scientific research:** In 2012, 43 new enterprise technology centres were set up at the provincial level or above, bringing the total number of centres to 176. Also, 109 provincial-level engineering centres were established, increasing the total to 337.⁴
- **Training:** Suzhou has 11 international service outsourcing training bases at the provincial level. The National Institute of Information Technology of India (NIIT) and Suzhou Science and Technology Town (SSTT) have jointly established a software education and training centre; and Suzhou Software (Microsoft Technology) Practical Training Camp and SUN East China Practical Training Base have officially started operating.³

Quality of living

- **Economic level:** In 2012, Suzhou's GDP was RMB 120.12 billion, an increase of 10.1 percent over 2011. Annual per capita disposable income reached RMB 37,531 for urban residents, an increase of 12.9 percent over 2011.⁴ The starting salary of graduates in Suzhou varies – for example, in the Suzhou National New & Hi-tech Industrial Development Zone, the starting salary averages RMB 2,000–2,500.
- **Natural environment:** In 2012, the newly completed green downtown area totalled 4.5km², per capita public green area was 14.94m², and the city's green coverage was 42.4 percent. There were 339 days with good air quality in 2012.⁴
- **Hotel:** In 2012, Suzhou had 144 star-rated hotels, including 75 hotels that were four-star or above.⁴

¹ National Bureau of Statistics of China, 'China Statistical Yearbook 2012', www.stats.gov.cn; Suzhou 2012 National Economic and Social Development Statistics Bulletin, www.suzhou.gov.cn
² Chinanews, www.chinanews.com
³ Suzhou Bureau of Commerce, 'Suzhou Outsourcing', www.sz sourcing.gov.cn
⁴ Suzhou 2012 National Economic and Social Development Statistics Bulletin, www.suzhou.gov.cn
⁵ Suzhou Three-year Service Outsourcing Industry Development Plan, www.szfbz.gov.cn

City Profile

- Wuxi is a city directly under the Jiangsu Provincial Government.
- Wuxi is one of the major manufacturing centres of the Yangtze River Delta Economic Zone.
- Wuxi is one of China's top 10 cities in terms of investment environment as well as competitiveness in manufacturing and economic vitality.



Overview¹

Geographical location: Wuxi lies in the south of Jiangsu province, with Suzhou to the east, Nanjing to the west and Taihu Lake to the south.

Climate: Subtropical monsoon maritime climate with four distinct seasons, abundant rainfall and a comfortable temperature
Annual average temperature: 15.6°C (2011)
Annual average rainfall: 1,121.7mm (2011)

Population: 6,432,200 (2012)

Key industries: 'Internet of things' and Cloud Computing, Microelectronics, New Energy, Environment, Equipment Manufacturing, Creative Design, Software and Service Outsourcing, Biotechnology, Tourism and Leisure

Some of the main contributing factors for Wuxi becoming a favoured service outsourcing destination

- Wuxi is one of China's 21 State Council-approved Service Outsourcing Model Cities.
- Wuxi is home to many industrial parks and is one of the China Service Outsourcing Talent Training Centres designated by MOFCOM and China's Ministry of Education. The Wuxi Hi-tech Zone has been approved to be a national intellectual property pilot park.²
- In 2012, the Wuxi Government approved 442 new foreign investment projects, bringing the registered foreign capital investment to USD 4.33 billion. Actual foreign capital reached USD 4.01 billion, an increase of 14.4 percent, which is the highest total amount recorded. Utilisation of foreign capital in the service industry accounted for 38.3 percent of the total registered foreign capital. In 2012, 54 major foreign investment projects with registered foreign capital above USD 30 million each were completed. At the end of 2012, 87 Fortune 500 companies had invested in 157 foreign funded enterprises in Wuxi.

Service outsourcing

Key service outsourcing providers (outsourced services)

AppTec (KPO services)	iSoftstone (ITO services)
Hisoft (ITO services)	ChinaSoft International (ITO services)
Softtek (ITO services)	NTT Data (ITO services)
Achievo (ITO services)	Yokosin Software Engineering (ITO services)
Panasia (BPO services)	China Resources Semico (ITO services)

Key research & development centres

IBM (China systems and technology R&D centre)	Microsoft Asia Pacific (Global technical support centre)
Johnson Controls (Building equipment technology)	PharmaTech (Cayman)
Hollywood (China) Digital Arts (R&D centre)	Bekaert (Technology R&D centre)
JTEKT (R&D centre)	Caterpillar (R&D centre)

Source: Respective company websites

Present state of the service trade sector

- The export of Wuxi's outsourcing services in 2012 amounted to USD 5.76 billion, up 179 percent from 2011.

Present state of the service outsourcing sector

- The executed contract value of Wuxi's outsourcing services in 2012 was USD 6.44 billion, a 43.5 percent increase from 2011. The executed contract value of offshore services was USD 3.35 billion, a 40.3 percent increase from 2011, while the main index of service outsourcing was ranked among the top model cities. There are currently more than a 1,000 service outsourcing enterprises in Wuxi that employ over 130,000 people. The main outsourcing businesses include Software R&D, IC Design, Industrial Design, Testing Outsourcing, Television Animation Design and Biomedical R&D. Business coverage has expanded to 90 countries including the US, Japan and Europe.
- Wuxi iPark lies in the Wuxi National Hi-Tech Industrial Development Zone. The Innovative Creative Industry Park and Jiangsu Software Outsourcing Industrial Park are the two biggest parks. In 2012, the value of Wuxi's software and service outsourcing services grew by 34.4 percent. Wuxi iPark is one of Jiangsu's most important software and service outsourcing industrial bases, and at the end of 2012, it was home to 582 software and service outsourcing enterprises.³

Related incentives for service outsourcing

- **Government policies:** Wuxi adheres to both national and Jiangsu provincial policies. It has also formulated a series of special policies to support and encourage the development of its service outsourcing industry:
 - In 2007, the Chinese Government developed the '123' Programme Policies, which aims to consolidate best practices from the leading service outsourcing enterprises.
 - In 2009, the government took the lead in the national model cities, using the policy of developing 1:2 matching funds for national service outsourcing development. It also further developed the *Guidance Opinions on the Promotion of Service Outsourcing of Administrative Institutions and State-owned Corporations, Policies on Supporting Service Outsourcing Enterprises to Attract College Graduates' Training and Employment, Opinions on the Financial Support for the Development of the Service Outsourcing Industry, and Management Approach to Wuxi's Service Outsourcing Platform Fund*.
 - In 2012, the Wuxi Government announced the *Fund Management Approach to Wuxi's Service Industry (Software and Service Outsourcing)*. This new management approach was a major breakthrough compared to the '123' Programme Policies and has had strong government support. It introduced major projects, encouraged enterprises to become bigger and stronger, carried out high-end research and design services, built brands, introduced and cultivated talent, and developed market qualifications. As a result, it has helped to successfully maintain Wuxi's advantages and attractiveness in the service outsourcing industry.
- **Industrial park policies:** Wuxi National Hi-Tech Industrial Development Zone has formulated a series of preferential policies, including the *Implementation Opinions of Wuxi High-tech Industrial Development Zone's Management Committee on Promoting Science and Technology Renovation* (May 2009). It has also set up special funds for science and technology development, software animation services outsourcing and IC, and innovation and entrepreneurship.³
- **Intellectual property policies:** In 2010, Wuxi introduced the *Wuxi City National Intellectual Property Strategy* (September 2010), which outlined development goals, the protection of intellectual property rights management, and safeguard measures.

Development targets for service outsourcing

- Outsourcing is a strategic focus for future development in Wuxi. According to the 'Wuxi Service Outsourcing Mid- and Long-term Development Plan', the target is for Wuxi's service outsourcing business to reach USD 30 billion by 2020. Wuxi strives to build areas in China that have prospering outsourcing industries, and to be the world's outsourcing base.

Infrastructure

- **Office parks:** After several years of development, Wuxi Park has gradually taken shape. Adhering to the aim of building a multi-complex space with R&D facilities, offices, and living and entertainment areas, Wuxi has established a service outsourcing park of 4km², forming more than ten parks including the Wuxi (National) Software Park (iPark), with basic supporting functions, and strong capabilities and diversity. Meanwhile, Wuxi has also built an IBM China Cloud Computing Centre, an IBM Software Innovation Incubation Platform (SaaS), an Intel-China Parallel Computing Centre, T4 Level China Telecom International Data Centre, a Cloud Computing Centre and a number of international advanced public technology platforms to strongly support the development of the service outsourcing industry. Over

the next few years, Wuxi will further accelerate the development and service of the facilities with a focus on creating the new districts of Oriental Silicon Valley and Lake Wit Hub outsourcing concentrated area, as well as further enhancing the capabilities of the Service Outsourcing Industry Taihu Lake Belt.³

Domestic and international traffic:

- Wuxi has 4,189km of highways. Expressways connecting Beijing and Shanghai, Shanghai and Nanjing, Shanghai and Chengdu, and Nanjing and Hangzhou all cross through Wuxi.
- Railways in Wuxi are directly connected to the national railway network via the Shanghai-Nanjing line and Xinyi-Changxing line.
- In 2012, Wuxi Airport had more than 30 routes, with seven international routes to places such as Tokyo and Bangkok.⁴

- **Communication infrastructure:** In 2012, Wuxi had 2,136,400 fixed-line users, 8,967,400 mobile phone users and 1,630,700 internet users.⁴

Human resources

- **Education:** In 2012, Wuxi had 10 general universities, with a combined student population of more than 100,000.⁴
- **Scientific research:** At the end of 2012, Wuxi had 356 national or provincial-level engineering technology research centres, 45 science and technology incubators above the provincial level, 37 provincial public technical service platforms, eight national or provincial high-tech research laboratories, two provincial industry research institutes and two provincial enterprise institutes. It also had three National/State-level International Cooperation Bases, 25 foreign R&D centres above the provincial level and four International Technology Transfer Centres above the provincial level.⁴
- **Training:** Adhering to the "attracting high-end talent, training middle and normal talent" idea, Wuxi has introduced high-quality educational resources including the National Institute of Information Technology of India (NIIT) and iCarnegie (US), as well as high-tech institutions that provide training such as IBM, Microsoft, Chinasoft International, and Neusoft Group. The aim is to actively help talent development in Wuxi's outsourcing industry.³

Quality of living

- **Economic level:** In 2012, Wuxi's GDP reached RMB 756.82 billion, a 10.1 percent increase from 2011. The average annual disposable income of urban residents was RMB 35,663, a 12.7 percent increase from 2011. Per capita annual consumption expenditure of urban residents was RMB 23,000, a 16.3 percent increase from 2011.⁴
- **Natural environment:** In 2012, Wuxi's public green area expanded by 5.01km², with a per capita public green space of 14.61m², and a green coverage of 42.68 percent for the whole city.⁴
- **Hotels:** In 2012, Wuxi had more than 70 star-rated hotels, including seven five-star hotels.⁵

¹ National Bureau of Statistics of China, '2012 China Statistical Yearbook', www.stats.gov.cn; Wuxi 2012 National Economic and Social Development Statistics Bulletin, www.szttj.gov.cn

² People's Daily Online, www.people.com.cn

³ Wuxi Municipal Bureau of Commerce, 'Wuxi Sourcing', www.wuxisourcing.gov.cn

⁴ Wuxi 2012 National Economic and Social Development Statistics Bulletin, www.szttj.gov.cn

⁵ Wuxi Travel, www.wuxitour.com.cn

Xuzhou

City Profile

• Xuzhou is an important gateway city in Eastern China and is the second largest city in Jiangsu province. It is the central city in the Huaihai Economic Zone, and is also one of the four big cities that Jiangsu province has prioritised for development.

• Xuzhou is an important national transportation hub, as well as a new international energy base. It has been dubbed 'China's Engineering and Machinery Capital' and 'The World Silicon Capital', and its growth competitiveness ranks first in the country.

Overview¹

Geographical location: Xuzhou is located in the north-west of Jiangsu province, and is situated in the North China Plain. It borders Shandong, Henan and Anhui provinces.

Climate: Warm, temperate, semi-humid monsoon climate
Annual average temperature: 14°C (2012)
Annual average rainfall: 800–900mm (2012)

Population: 9,905,300

Key industries: Equipment Manufacturing, Energy, Food and Agriculture and Sideline Products Processing, Coal Chemicals, Metallurgies, Building Materials

Service outsourcing

Key service outsourcing providers (outsourced services)

Jiangsu Ruiheng Technology Co., Ltd (Software development outsourcing)	Jiangsu Risen Software Technology Co., Ltd (Animation software outsourcing)
Neusoft Group (Xuzhou) Co., Ltd. (ITO services)	Kingdee Software (ITO services)
Jiangsu Wanshida System Integration Co., Ltd. (ITO services)	Nanjing Lianchuang Technology (Software development outsourcing)
Nanda Softech Group (Information technology and software outsourcing)	BlueOcean Surplus (BPO services)
Jiangsu Joyque Information Industry Group (Software and service outsourcing)	

Key research & development centres

China University of Mining and Technology (Plan of Sensory Mines) Research Centre	Xuzhou Advanced Manufacturing and Automation Engineering Technology R&D Centre
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Source: Respective company websites; Xuzhou Municipal People's Government; Xuzhou Economic and Technological Development Zone

Some of the main contributing factors for Xuzhou becoming a favoured service outsourcing destination

- Xuzhou listed Software and Service Outsourcing as one of the six largest emerging strategic industries in the 12th Five-Year Plan.²
- As proposed in the Xuzhou Municipal People's Government's working report, in 2013, Xuzhou will: promote the development of the High-Speed Rail Business Outsourcing Park and the public service platform of Xuzhou Software Park; promote the construction of Suining Service Outsourcing Industry Park, Xuzhou Animation Industrial Park and Xuzhou Normal University Creative Cultural Park; and build a number of distinctive service outsourcing development carriers. The 'international service trade growth rate' will also be used in the reward system to promote the development of foreign trade and economic cooperation, and to create further enthusiasm in the Xuzhou Municipal People's Government, the county district government and the relevant enterprises.²
- Xuzhou Software Park and the Xuzhou Economic and Technological Development Zone have been identified as the provincial International Service Outsourcing Demonstration Bases. Through the establishment of a provincial special support fund, Jiangsu province provides priority support for the protection of intellectual property rights, the construction of a public information platform, human resources development, and the construction of infrastructure and investment environment improvements.²
- Xuzhou has a number of advantages relating to its location. The Beijing-Shanghai High-speed Railway has helped to relieve traffic congestion as Jinan, Nanjing and Zhengzhou can now be reached within an hour, and Beijing, Shanghai and Xi'an can be reached in two hours. According to the Xuzhou Municipal People's Government, Xuzhou will become a regional service outsourcing centre in the transfer of outsourcing opportunities from Beijing and Shanghai.²

Present state of the service trade sector

- Xuzhou's aggregate service import and export trade value in January 2013 was USD 51.38 million, with an impressive year-on-year growth of 92.94 percent. The export trade value was USD 22.44 million, with a year-on-year growth of 544.83 percent, while the import trade value was USD 28.94 million, with a year-on-year growth of 25.01 percent.²

Present state of the service outsourcing sector

- According to data from the Ministry of Industry and Information Technology, Xuzhou ranked 11th in China according to research of 282 prefecture-level cities in terms of its ability to conduct service outsourcing. As a result, it has become a five-star service outsourcing city.²
- In 2012, Xuzhou's service outsourcing contract amount and execution amount both more than doubled, and the growth rate maintained the leading position in Jiangsu province. The operating income of the Software and Information Service industry reached RMB 2.85 billion, with a year-on-year increase of 83 percent. In 2012, 18 enterprises have passed the double-soft certification, with the number of double-soft certified enterprises reaching 71 in total. Five enterprises were listed as key software enterprises in Jiangsu province.²

Related incentives for service outsourcing

- **Government policies:** In *The Xuzhou Municipal People's Government Notice on Speeding up the Development of the Key Modern Service Industry* (No. 96, Xu Zhengfa [2011]), the focus areas of support were: registered capital, tax, platform construction, park identification, brand building, standard certification, export, market development, and talent attraction and development.²
- **Industrial park policies:** Xuzhou Economic and Technological Development Zone and Xuzhou Software Park have introduced a number of policies, including policies on attracting talent. A special development fund was set up for enterprises to participate in international software certification, talent education and training, and public service facilities construction.

Development targets for service outsourcing

- By 2015, the service industry revenue in Xuzhou is expected to reach RMB 200 billion or above, and the overall goal of the service sector in Xuzhou is to become the top amongst all industries in the province.²

Infrastructure

- **Office parks:**
 - There are seven distinctive parks in Xuzhou: Xuzhou Economic and Technological Development Zone, Xuzhou High-Tech Industry Development Zone, High-Speed Rail International Ecological Business District, National University Science Park of China University of Mining and Technology, Xuzhou Software Park, Xuzhou College Students Pioneering Park and Jiangsu University Science and Technology Park.
 - The service outsourcing park in the Xuzhou Economic and Technological Development Zone covers an area of more than 50,000m², and the first phase was completed in 2012, with 22 buildings and a total construction area of around 30,000m². The total planned area of the Xuzhou Software Park is 586,666.7m², and the first two phases covered an area of 114,666.7m². The construction area of 196,000m² is now being used. The third phase covered an area of 72,000m², with a construction area of 212,000m². As at 2012, more than 400 enterprises had settled in the park, and over 20,000 people were employed.²

Domestic and international traffic:

- In 2012, the total highway mileage in Xuzhou reached 16,278km, including 441.37km of expressways. There are five national roads, 20 provincial highways and five expressways.
- Xuzhou has the second largest railway marshalling station in China, and Longhai Railway and the Beijing-Shanghai Railway intersect here.
- Guanyin Airport has flights to 23 cities via 26 routes, including two international routes and three routes to Hong Kong, Macau and Taiwan.³

- **Communication infrastructure:** By the end of 2012, Xuzhou had 1.646 million fixed-line users and 7.6021 million mobile phone users, as well as 6.2687 million internet subscribers.¹

Human resources

- **Education:** In 2012, Xuzhou had nine general universities with a combined student population of 133,600, including 9,502 postgraduate students and 1,088 doctoral students.¹
- **Scientific research:** In 2012, there were 173 R&D institutions at provincial level or above, 45 of which were established that year. There were also 1,478 municipal engineering technology research centres and seven key laboratories which opened in 2013.¹
- **Training:** In 2011, Xuzhou set up the first provincial International Service Outsourcing Talent Training Base – Xuzhou Excellence Education and Training Centre. Xuzhou also carried out pilot testing work for service outsourcing talent training colleges and universities. The Xuzhou Institute of Technology has been identified as a Jiangsu Provincial Pilot School for Service Outsourcing Talent Training. Xuzhou is rapidly developing service outsourcing talent with the construction of practice training bases, teacher training, and the introduction of other provincial and national preferential policies.¹

Quality of living

- **Economic level:** In 2012, Xuzhou's GDP was RMB 401.658 billion, an increase of 13.2 percent from 2011. Urban annual per capita disposable income reached RMB 21,716 with an increase of 13.1 percent from 2011, and urban annual per capita consumption expenditure was RMB 14,028.54.¹ The average annual salary of full-time employees was RMB 39,493.⁴
- **Natural environment:** In 2012, Xuzhou established five nature reserves, with an area of 217km². The forest coverage rate in the city reached 31.8 percent, and the green coverage rate was 42.7 percent. There were 337 days with good air quality in 2012.¹
- **Hotels:** At the end of 2012, Xuzhou had 118 star-rated hotels, including one five-star hotel.⁵

¹ Office of Xuzhou Municipal People's Government, 'Xuzhou 2012 National Economic and Social Development Statistics Bulletin', www.xz.gov.cn

² Office of Xuzhou Municipal People's Government and relevant departments' websites, www.xz.gov.cn

³ Xuzhou Guanyin Airport, www.xzairport.com

⁴ Xuzhou Statistical Yearbook 2012, www.bjbookwang.com/huanyudns/html/2012-10-9/201210901837.html

⁵ Xuzhou City Tourism Bureau, www.xzta.com; Pod Inn, 'Hotel bookings', <http://xuzhou.podinn.com/>



An aerial photograph of a sprawling Chinese city, likely Wuhan, showing a dense cluster of high-rise buildings and a wide river with a large bridge. The sky is a mix of blue and orange, suggesting dawn or dusk. A semi-transparent white triangle is overlaid on the left side of the image, containing the text.

Middle West China cities

Changsha

Chengdu

Chongqing

Kunming

Wuhan

Xi'an

Zhengzhou

Changsha

City profile

- Changsha is the capital of Hunan province.
- Changsha is the province's political, economic, cultural, science education, transportation, trade and tourism centre.



Overview¹

Geographical location: Changsha is located in north-eastern Hunan province, downstream from the Xiangjiang River, and with Jiangxi province to the east.

Climate: Humid subtropical monsoon climate
Annual average temperature: 17.9°C (2011)
Annual average rainfall: 932.8mm (2011)

Population: 7,146,600 (2012)

Key industries: Engineering Machinery, Automobiles and Parts, Household Electrical Appliances, Electronics and Information, New Materials, Biopharmaceuticals

Service outsourcing

Key service outsourcing providers (outsourced services)

ChinaSoft International (SDO)	Powerise Information Technology (SDO)
Clochase (SDO)	Talk Web (SDO)
China Creator (SDO)	Green Apple Data Centre (DPO)
Takashi High-tech (DPO)	Yingbo Digital (Culture-animation outsourcing)
Topken (Culture-animation outsourcing)	Reagle Business Technologies (Call centre outsourcing)
Jingu International (Call centre outsourcing)	Help Hand (Call centre outsourcing)
Sinopharm Group (Logistics outsourcing)	Quanzhou Logistics (Logistics outsourcing)

Key research & development centres

China Machinery International Engineering Technology R&D Centre (R&D of power engineering, new energy equipment, advanced manufacturing)	Foxconn R&D centre in Changsha (Development of software, digital content and related products for China's three-network integration)
Bosch (Changsha) R&D Centre (R&D and production of automotive starters, generators, air conditioning and engine cooling systems, wiper systems and motor systems)	Changsha Meixi Lake International R&D Centre (New materials, new energy development, information industry, biological medicine and advanced manufacturing)

Source: Changsha Government, www.changsha.gov.cn; respective company websites

Some of the main contributing factors for Changsha becoming a favoured service outsourcing destination

- Changsha is one of the 21 State Council-approved Service Outsourcing Model Cities in China.
- In 2012, Changsha had 94 foreign invested projects or enterprises, and actual used foreign capital was USD 2.977 billion, an increase of 14.4 percent from 2011. There were 165 new investment projects, and actual capital utilisation from outside China was RMB 45.665 billion, an increase of 16.9 percent compared to 2011.³ Moreover, in the first half of 2007, a total of 89 Fortune 500 companies settled in Changsha and 26 of them were foreign direct investments.⁴
- Changsha Software Park has been awarded 'Best China Software and Information Service Provider of the Year', and has been named 'China's Outstanding Park for Software and Information Service Outsourcing', 'China's Software Manpower International Training (Changsha) Base', 'China's Promotion Base for the Animation, Comics and Games Industry', and 'China's Model Region for Service Outsourcing'. In 2007, Changsha became a state-designated software industry base.⁵
- Changsha Software Park has become the main area in the city for the service industry. By 2009, Changsha Software Park had over 1,200 resident software entities, including 30 key large software enterprises. As a key base for the central region's electronic information industry, Changsha Software Park attracts many world-class enterprises such as Dell Perot Systems, Cisco, Motorola, Nokia and Hitachi. It has also developed strategic partnership with Fortune 500 enterprises such as Microsoft, IBM and HP and joint laboratories with Intel, Microsoft and Motorola have been established here.⁵

Present state of the service trade sector

- In 2012, the aggregate amount of Hunan's service import and export trade was USD 2.905 billion, ranking fourth of the six central provinces. This was an increase of 15.2 percent from 2011, which was an increase rate 1.7 percent higher than the national average.²
- In 2012, Changsha's import and export trade for Insurance, Consulting, other business and financial services enjoyed a higher increase rate compared to 2011, growing 140 percent, 82.6 percent, 81.4 percent, 48.74 percent respectively. The Transportation and Construction industries suffered a sharp decrease in 2012, dropping 19.976 percent and 10.67 percent respectively. Tourism plays a significant role in Changsha's service trade, making up 64.37 percent of the sector in 2012, which was an increase of 5.75 percent.²

Present state of the service outsourcing sector

- Changsha's service outsourcing industry focuses on Information Telecommunications, Cartoon and Creative, Financial Insurance, and Modern Logistics. It also includes Software Development Outsourcing, Data Processing Outsourcing, Culture-animation Outsourcing, Call Centre Outsourcing and Logistics Outsourcing.⁶
- In 2011, Changsha achieved a service outsourcing aggregate value of RMB 29.65 billion, a year-on-year increase of 21 percent, with a total of 90,000 employees. There were more than 800 service outsourcing enterprises in Changsha at the end of 2011 and 246 were included in the service outsourcing business management system of the Ministry of Commerce; overall, there were 82 more enterprises compared to 2010. By the end of 2011, there were 90,000 employees in the service outsourcing industry in Changsha.⁷
- In 2011, there were nine enterprises in the Changsha service outsourcing industry with over 1,000 employees each, six enterprises had a service outsourcing turnover of over RMB 6 million each, and 32 enterprises had international certifications such as CMMI3, ISO27001 and ISO9001.⁷

Related incentives for service outsourcing

- **Government policies:** In January 2009, the Changsha Government released *Certain Opinions on the Promotion of the Service Outsourcing Industry in Changsha*. The key points include: 1) annual special funds for local service outsourcing development; 2) annual incentive loans to the top 10 local service outsourcing providers; and 3) subsidies to those with CMMI/CMM/PCMM international certification.⁶
- **Industrial park policies:** In 2010, the Changsha High-tech Industry Development Zone and Changsha Software Park offered preferential policies to their resident enterprises, e.g. incentives for the development of software products with intellectual property rights.⁶
- **Intellectual property policies:** In August 2010, the State Intellectual Property Office officially approved Changsha to become the first pilot city for the Intellectual Property Investment and Financing Services Pilot Programme:
 - The pilot programme aims to establish an intellectual property investment and financing service alliance within three years (2010–2013).
 - Within these three years, Changsha aims to explore and create new intellectual property investment and financing processes, and help intellectual property projects find the market and capital support they need to grow.
 - In addition, it is expected that the bank-government cooperation mechanism for intellectual property pledge financing will deepen, and the implementation of the enterprise Intellectual Property Investment and Financing Services Pilot Programme will be promoted

Development targets for service outsourcing

- Changsha identified seven segments as the key service outsourcing focuses: logistics outsourcing, animation and creative outsourcing, cultural content outsourcing, embedded software outsourcing, education and training, software operation service (SaaS), and call centre outsourcing. By 2015, Changsha aims to reach an aggregate service outsourcing amount of RMB 50 billion, with an annual increase of 20 percent and a total workforce of 150,000.⁷

Infrastructure

- **Office parks:** Changsha has two industrial development zones and nine industrial parks. Changsha High-tech Industry Development Zone and Changsha Software Park are well-known for their

service outsourcing activities. By 2010, there were more than 5,000 enterprises in the Changsha High-tech Industry Development Zone, which has been named 'National Advanced High-tech Zone with Comprehensive Innovative Capacity' six times and ranks sixth among all Chinese high-tech zones. Changsha Software Park has attracted many world-class enterprises such as Cisco, Motorola and Hitachi.⁶

• Domestic and international traffic: :

- Changsha has three expressways with a total of 289km, as well as three national highways.
- Some national train links such as Beijing-Guangzhou, Hunan-Guizhou and Zhejiang-Jiangxi Railways connect Changsha with other parts of China.
- Huanghua International Airport is 10km from the city, and has direct routes to 47 domestic main destinations and overseas cities such as Bangkok, Seoul, Busan, Osaka, Kuala Lumpur and Singapore. Seven new international routes were launched in 2011, originating from Changsha via Shanghai to Paris, Frankfurt, London, Los Angeles, Vancouver, Sydney and Melbourne.
- Changsha also boasts a channel in the Xiangjiang River that can accommodate large vessels at the kiloton level, and Changsha Xianing New Port is one of China's major river ports.⁸
- **Telecom infrastructure:** By the end of 2012, Changsha had 2.1164 million fixed-line users, 9.8445 million mobile phone users and 1.3425 million broadband subscribers.³

Human resources

- **Education:** In 2012, Changsha had 50 general universities with a combined total of 523,200 students, including 50,600 postgraduates.³
- **Scientific research:** In 2011, Changsha had 97 research institutes.³
- **Training:** The city has 20 key service outsourcing training agencies, including Ambow Newer and ChinaSoft. The Changsha Municipal Government has named the Hunan Information Science Vocational Institute and the Hunan Foreign Language Vocational Institute as 'Changsha Service Outsourcing Manpower Training Bases'.⁶

Quality of living

- **Economic level:** In 2012, Changsha's GDP was RMB 639.991 billion, an increase of 13 percent from 2011. Urban annual per capita disposable income and urban annual per capita consumption expenditure reached RMB 30,288 and RMB 19,460, and increased by 14.5 percent and 9.4 percent respectively compared to 2011.³ In 2011, the average annual salary of full-time employees was RMB 44,495.2,⁹ while the average monthly salary of graduates in 2011 was RMB 2,255.¹⁰
- **Natural environment:** There were 332 days with good air quality in 2012.³ In 2011, green coverage in Changsha reached an area of 102.35km².⁸
- **Hotels:** In 2011, Changsha had 82 star-rated hotels, including 12 five-star hotels.¹¹

¹ China Statistical Yearbook 2012, www.stats.gov.cn; Changsha 2012 National Economic and Social Development Statistics Bulletin, www.hntj.gov.cn

² Department of Commerce of Hunan Province, www.hunancom.gov.cn

³ Changsha 2012 National Economic and Social Development Statistics Bulletin, www.hntj.gov.cn

⁴ Changsha Municipal Development and Reform Commission, <http://fgw.changsha.gov.cn>

⁵ Changsha Software Park, www.cnsia.com

⁶ Changsha Service Outsourcing, www.cssourcing.gov.cn

⁷ 2013–2015 Changsha Service Outsourcing Industry Development Programme, www.changsha.gov.cn

⁸ 2012 Changsha Statistical Yearbook, www.chinayearbook.com

⁹ 2012 China Statistical Yearbook, www.stats.gov.cn

¹⁰ Yingjiebiyesheng, www.yjbys.com

¹¹ Changsha Tourism, www.changsha.com.cn

Chengdu

City Profile

- Chengdu is the capital city of Sichuan province.
- Chengdu is the South-west China science, business, finance, traffic and communication hub.



Overview¹

Geographical location: Chengdu is located in central Sichuan province, west of the Sichuan Basin.

Climate: Humid subtropical monsoon climate
Annual average temperature: 15.9°C (2011)
Annual average rainfall: 1,003.2mm (2012)

Population: 9,905,300 (registered population as at 2012)

Key industries: Electronics Information, Machinery (including Automobiles and Aerospace), Biomedicine, Food (including Tobacco), Metallurgy and Building Materials, Petrochemicals, Commerce and Trade, Tourism, Finance

Service outsourcing

Key service outsourcing providers (outsourced services)

Wipro (ITO services)	Ubisoft (KPO services)
Symantec (BPO services)	Motorola (Software development outsourcing)
Accenture (BPO services)	ANZ Bank (BPO services)
Atos Tech (ITO services)	3I (IT services)
Kenexa (KPO services)	Thoughtworks (IT services)

Key shared service centres (captive)

Maersk (Global service centre)	DHL (Global service centre)
Amazon (Client service centre)	TMF Services (China service centre)
Manulife Financial (Global service centre)	Changhong (Financial service centre)
Damco (Customer service centre)	PwC (China service centre)
Lafarge (Global service centre)	Siemens (Global service centre)

Key research & development centres

Ruihua Pharmaceutical corp. (Production, R&D centre)	Ericsson (R&D centre)
SAP (R&D centre)	Tieto (R&D centre)
IBM (R&D centre)	Media Teck (R&D centre)
Oracle (International service R&D centre)	EMC (Global R&D centre)

Key financial back-office service centres

China Merchants Bank	Industrial and Commercial Bank of China
Sunshine Insurance	China Pacific Insurance
China Construction Bank	

Source: Respective company websites

Some of the main contributing factors for Chengdu becoming a favoured service outsourcing destination

- Chengdu is one of China's 21 State Council-approved Service Outsourcing Model Cities.
- In 2012, Chengdu approved 27 foreign direct investment projects, with a year-on-year increase of 58.8 percent from 2011. The contract amount was USD 322.15 million, which increased 11.8 percent from 2011.⁴
- In 2012, the amount of actual used FDI in Chengdu was USD 8.59 billion, and became the first choice for foreign investment in Western China. A total of 233 Fortune 500 enterprises had a presence in Chengdu.⁵
- Chengdu has established 11 national-level industrial bases, including the National Software Industry Base, National Software Export and Innovation Base, National 863 Software Incubator, National Integrated Circuit Design Industrialisation Base, National Digital Media Industrialisation Base and National Information Security Industrialisation Base.⁶

Present state of the service trade sector

- In 2012, the import and export trading value for Sichuan province amounted to USD 6.57 billion, with USD 5.6 billion or 85.2 percent coming from Chengdu.²
- In the 2012 investment attraction evaluation of China's service outsourcing cities, Chengdu ranked first in terms of the investment satisfaction evaluation and second in the investment attractiveness evaluation.³

Present state of the service outsourcing sector

- With basic technology and supply chain management services as priorities, Chengdu's service outsourcing industry has developed with a focus on Information Technology, Digital Content and Finance.⁷
- At the end of 2012, there were around 1,300 service outsourcing enterprises, and 384 of these had registered with the Ministry of Commerce to conduct their offshore outsourcing business. They achieved signed contract value for Chengdu's offshore outsourcing services of USD 986 million, a year-on-year increase of 48 percent, while the executed contract value was USD 728 million, a year-on-year increase of 47 percent.⁸
- At the end of 2012, Chengdu had 14 service outsourcing enterprises that each had 1,000 staff members and above. Nine enterprises were added to the list of China's top 100 service outsourcing growing businesses, accounting for nearly one-tenth of the top 100 enterprises in the 21 State Council-approved Service Outsourcing Model Cities.

- In addition, 21 of the global top 100 service outsourcing enterprises had a presence in Chengdu, three of which were in the top 10 and nine of which were in the top 30 service outsourcing enterprises at the end of 2012. Moreover, six leading service outsourcing companies with branches in Chengdu are among China's top 10 industry leading companies. Nearly 50 cross-national groups have based their global delivery centres, shared service centres or R&D centres in Chengdu.⁸

Related incentives for service outsourcing

- **Government policies:** Chengdu has introduced a number of incentives, such as the issue of *Opinions on Encouraging the Development of the Software Industry in Chengdu* (April 2004), *Chengdu Municipal Government's Opinions on Promoting Service Outsourcing in Chengdu* (June 2007), *Notice on Implementing Related Policy to Further Promote the Service Outsourcing Industry in Chengdu* (July 2010), *Measures for Introducing High-level Innovative Talents* (June 2011), and *Chengdu Municipal Government General Office's Opinions on Promoting Financial Service Outsourcing in Chengdu* (March 2011). These measures include: 1) providing financial support to companies with international standards certifications and brand promotion overseas; 2) promoting international service outsourcing business; 3) providing tax reductions and exemptions; 4) providing financial support to service outsourcing enterprises in talent training; and 5) providing financial support for the global service outsourcing top 100 and domestic service outsourcing top 100 enterprises in terms of their rent, tax, staff training and land issues.⁹
- **Industrial park policies:** Chengdu Hi-tech Industrial Development Zone has issued a number of preferential policies, including: 1) the development of a financial back-office service centre; 2) support to companies to create technological innovations and to start new businesses; and 3) investment and financing support. Chengdu Tianfu Software Park also provides tenants and their employees with some preferential policies, including subsidies, tax reductions and exemptions, special support and provision of venture capital.⁹
- **Intellectual property policies:** The Chengdu Government released *Patent Protection and Promotion Ordinance in Chengdu* in December 2006. Chengdu was also one of the first cities to be part of the national IPR Model Cities. The National Patent Examination Collaboration Centre will also be set up in Chengdu.¹⁰

Development targets for service outsourcing

- Chengdu is striving to become one of the top six National Model Cities by 2014 in terms of its service outsourcing comprehensive competitiveness, and also to become the leading service outsourcing centre in Midwestern China. Chengdu has nearly 250,000 employees, as well as over 950 enterprises in the service outsourcing industry. From 80 to 100 world-renowned MNCs (including Chinese companies) have settled in Chengdu, while over 100 enterprises have been certificated with CMMI3 and 10 to 15 companies with CMMI5 certification.⁷

Infrastructure

- **Office parks:** Chengdu Hi-tech Industrial Development Zone's service outsourcing core district is home to service outsourcing industry platforms such as Phases I and II of Tianfu Software Park, Financial Back-office Service Centre, Software Incubator Park, National Digital Media Technology Industrialisation Base (Chengdu) and Tianfu New Valley. Among them, Tianfu Software Park, with a planned construction area of 3,700,000m², has developed a construction area of 1,400,000m², including a construction area in Phase I of 230,000m², in Phase II of 560,000m², in Phase III of 450,000m² and an undeveloped area of 900,000m².¹¹

- **Domestic and international traffic:** At the end of 2012, the Chengdu Shuangliu International Airport operated routes to 149 destination cities, including to 52 international or regional cities. There were 199 seasonal routes in operation, including 56 international or regional routes.⁴
- **Telecom infrastructure:** As the information hub for Western China, Chengdu has sound telecommunication infrastructure:
 - The total bandwidth of the network transmission is 3,200GB. By the end of 2013, the bandwidth of the main transmission line will be over 8,000GB
 - In 2012, Chengdu had 3.75 million fixed-line users, 21.36 million mobile phone users and 2.68 million broadband subscribers.⁴

Human Resources

- **Education:** In 2012, there were 50 general universities, with a combined student population of 647,000. Moreover, there were 33 service outsourcing training agencies with 110,000 people enrolled.⁴
- **Scientific research:** There are currently around 100 scientific research institutions in Chengdu.¹¹
- **Training:** Chengdu Software Talent Training Union and the State-designated Service Outsourcing Talent Training Centre were established in Chengdu and offer certification to a batch of qualified service outsourcing talent training institutions. Chengdu's Hi-tech Industrial Development Zone has carried out a number of software and service outsourcing talent training projects, including the development of and the IBM Vocational Training Base, Xilinx FPGA Innovation Centre and the National Institute of Information Technology of India (NIIT).¹¹

Quality of living

- **Economic status:** In 2012, Chengdu's GDP reached RMB 813.89 billion, an increase of 13 percent from 2011. The average annual per capita income of urban residents reached RMB 27,194, a year-on-year increase of 13.6 percent.⁴ In 2011, the average annual salary of full-time staff in Chengdu reached RMB 42,363.2.¹²
- **Natural environment:** In 2012, the green rate was 35.69 percent in the city's downtown constructed area, while the green area per capita was 12.79m² and the green coverage rate was 38.81 percent. Chengdu had 322 days with good air quality, accounting for 88.2 percent of the whole year.⁴
- **Hotels:** In 2012, Chengdu had 124 star-rated hotels, and of these 24 were five-star hotels and 47 were four-star hotels, including the Sheraton, Shangri-La, InterContinental Hotel, Sofitel, and Kempinski.⁴
- **Medical care:** There are roughly 4,053 hospitals and community public health organisations, of which 18 are certificated with the highest national level – Grade 3A.
- **International schools:** There are more than 10 international schools, including primary and secondary schools and kindergartens.¹¹

¹ Chinayearbook, 'China Statistical Yearbook 2012', www.chinayearbook.com; China Daily, 'Chengdu 2012 National Economic and Social Development Statistics Bulletin', www.chinadaily.com.cn

² Sichuan Bureau of Statistics, www.sc.stats.gov.cn

³ China Trade in Services, <http://tradeinservices.mofcom.gov.cn/>

⁴ China Daily, 'Chengdu 2012 National Economic and Social Development Statistics Bulletin', www.chinadaily.com.cn

⁵ Chengdu Invest, www.chengduinvest.gov.cn

⁶ Chengdu Municipal Government, 'Information Office of Chengdu Municipal People's Government Press Conference', www.chengdu.gov.cn

⁷ Chengdu Municipal Government, 'Chengdu Service Outsourcing Development Plan (2010–2014)', www.chengdu.gov.cn

⁸ Ministry of Commerce of the People's Republic of China, www.mofcom.gov.cn

⁹ Chengdu Municipal Government, www.chengdu.gov.cn

¹⁰ Ifeng, www.ifeng.com

¹¹ Chengdu Bureau of Commerce, www.cdmbc.gov.cn

¹² Chinayearbook, 'China Statistical Yearbook 2012', www.chinayearbook.com

Chongqing

City Profile

- Chongqing is one of the four key municipalities directly under China's Central Government.
- Chongqing is one of the most important modern manufacturing bases and integrated transport hubs in South-west China.



Overview¹

Geographical location: Chongqing lies above the Yangtze River, with Sichuan to the west, Hubei and Hunan to the east, and Guizhou to the south.

Climate: Subtropical humid monsoon climate
Annual average temperature: 18.8°C (2011)
Annual average rainfall: 1,172mm (2011)

Population: 29,450,000 (2012)

Key industries: Automobiles, Motorcycles, Construction, Materials, Electronic Information

Service outsourcing

Key service outsourcing providers (outsourced services)

Honeywell (IT services)	HP (IT services)
Wozhi Service (e-Commerce)	NTT DATA (ITO services)
Fujitsu (ITO services)	DinoDirect (e-Commerce)
Chongqing Xiante Outsourcing Co., Ltd (Call centre)	CISDI (IT services)
ZDSOFT (ITO services)	Chongqing Global Zenith (ITO services)
Softisland (e-Commerce)	

Key shared service centres (captive)

MetLife (Customer service centre)	Ancheng Property & Casualty Insurance Co., Ltd (Customer service centre)
China Telecom (Customer service centre)	Haier (Customer service centre)
McDelivery (Call centre)	Philips (Call centre)
Taobao (Call centre)	PCCW (Call centre)
Sino-America Education Group (Call centre)	APL (Global shared service centre)

Key research & development centres

IBM R&D Centre in Western China	Intel Asia Pacific R&D Centre
HP Software R&D Centre	

Key financial back-office service centres

Ancheng Property & Casualty Insurance Co., Ltd	MetLife
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Source: Respective company websites

Some of the main contributing factors for Chongqing becoming a favoured service outsourcing destination

- Chongqing is one of the 21 State Council-approved Service Outsourcing Model Cities across the nation.
- A software outsourcing base servicing Japanese clients was set up in the Chongqing North New Zone, and it has become one of the National Torch Plan Software Industry Bases, accounting for nearly half of Chongqing's software service industry revenue. Chongqing Xiyong Microelectronic Industrial Park was the first microelectronic industrial park in Western China to receive a government subsidy from the National Development and Reform Commission.³
- In 2012, the actual utilised foreign capital value was USD 10.577 billion, including foreign company investment of USD 10.533 billion. In terms of the setting up of enterprises, the capital received from WFOE reached USD 6.547 billion, with a decrease of 6.2 percent from 2011, accounting for 62.2 percent of Chongqing's total value. The in-place capital value of joint venture enterprises was USD 2.522 billion with an increase of 4.9 percent, accounting for 23.9 percent of Chongqing's total value. By the end of 2012, 225 Fortune 500 companies had set up operations in Chongqing.⁴
- Characteristics of the development of Chongqing's service outsourcing industry includes the following:
 - According to the distribution of the outsourcing industry in 2012, ITO accounted for 40 percent of the total business, BPO accounted for 36 percent and KPO accounted for 24 percent.
 - The city's service outsourcing business is mainly dominated by ITO, especially in software technology services (accounting for 12.25 percent) and information systems operation services (accounting for 10 percent). While maintaining rapid growth in traditional ITO, Chongqing has also actively expanded its BPO and KPO business.
 - The city continued to explore Cloud Computing and settlement outsourcing services as new forms of outsourcing development. BPO and KPO are rapidly developing.

Present state of the service trade sector

- In 2012, the total value of Chongqing's service trade was USD 8.1 billion, with an increase of 32 percent year-on-year, ranking it first in Western China. The value of exports was USD 6.88 billion, with an increase of 255.5 percent, while the value of imports was USD 8.01 billion, with an increase of 144.2 percent on a year-on-year basis.²

Present state of the service outsourcing sector

- Chongqing's outsourcing industry focuses on ITO and BPO services. It positions Data Storage and Process, Client Services, and Embedded Software as its fundamental business; places manufacturing ITO mainly on the Automobile and Equipment, Trading and e-Business platforms, and Data Entertainment Operation as its core business; and positions Technical Products R&D, Industrial Design and Consulting as its strategic business for future development.³
- In 2012, the executed value of Chongqing's offshore outsourcing services was USD 0.83 billion, a year-on-year increase of 99 percent. This included USD 332 million of ITO services, which accounted for 40 percent of the total value; USD 298 million of BPO services, which accounted for 36 percent of the total value; and USD 199.2 million of KPO, which accounted for 24 percent of the total amount and which increased rapidly. There were 15,000 new employees and 410 new enterprises in the industry.⁵
- Throughout 2012, there were 248 newly signed foreign direct investment projects, and the value of actual used foreign capital was USD 10.533 billion, maintaining the same level as the previous year.
- In 2012, there were over 800 service outsourcing companies with nearly 200,000 employees.
- There are projects currently operating in Chongqing with values of over RMB 10 billion and over RMB 100 billion, such as HP, Acer, Asus Laptop Base, Singapore APL Data Centre, Chongqing Digital Publication Base, Pharmacy Base (with Founder and Fosun as industry giants), China Automobile Research Institute, Singapore Pacific Group Data Centre, China-Korea Industrial Park, Taiwan-Chongqing Industry Base, China Film Town, and West Offshore Settlement Centre.⁶

Related incentives for service outsourcing

- **Government policies:** The Chongqing Municipal Government has introduced a number of incentives, such as the *Provisional Regulations for Accelerating Chongqing's Software and Information Service Outsourcing Industry Development* (May 2007), *Chongqing Municipal Government's Opinions on Developing the Service Outsourcing Industry* (February 2008) and *Some Implementing Measures for Accelerating Chongqing's International Service Outsourcing Industry Development* (August 2009). These measures include: 1) the establishment of a special fund to introduce and train outsourcing talent, and the development of an outsourcing industry base; 2) incentives for enterprises which deliver offshore outsourcing services; 3) business tax reduction and exemption for training enterprises; and 4) awards for outsourcing enterprises certified with CMM/CMMI.⁵
- **Industrial park policies:** A series of incentives has been provided in Chongqing North New Zone, including: 1) awards to enterprises which engage in export business; 2) loan interest refund support; 3) encouragement for companies to participate in trade fairs; 4) provision of training programmes; and 5) assistance to companies setting up overseas branches.³ Yuzhong District, Gaoxin District, Hechuan District and Jiulongpo District each designed respective policies to promote the development of service outsourcing in their districts.
- **Intellectual property policies:** Include the *Chongqing Patent Promotion and Protection Regulation* and *Chongqing Patent Bureau. Settlement of Patent Dispute Temporary Regulation*. The regulations adopted successful practices from other cities, and maintained a forward-looking perspective to make the regulations workable.⁷

Development targets for service outsourcing

- By the end of 2013, Chongqing's service outsourcing agreement amount will reach USD 1.5 billion and the executed amount will reach USD 1 billion.³

Infrastructure

- **Office parks:** Chongqing's main service outsourcing bases include Chongqing North New Zone, Xiyong Microelectronic Industrial Park and Chongqing Yongchuan Industrial Park. Xiyong Microelectronic Industrial Park has a planned site area of approximately 30km², including a 20km² industrial zone and a 10km² service zone.³
- **Domestic and international traffic:**
 - There was 7,158km of roads in Chongqing, as well as 118,600km of highways including 1,861km of expressways.
 - The city has five key rail links, with over 60 lines and special rail lines.
 - It has three airports, one of which is an international airport that operates flights to 13 overseas cities.
 - It is also an important port in Southwest China, with over 40,000km of inland waterways open to navigation. Chongqing has also built four metro lines.⁴
- **Communication infrastructure:** By the end of 2012, Chongqing had 5.75 million fixed-line telecom users and 20.7 million mobile phone users, as well as 20.9 million broadband subscribers.⁴

Human resources

- **Education:** In 2012, there were 67 general universities, with new enrolments of 199,800 undergraduates, 623,600 undergraduates in total, and 137,600 undergraduates which had graduated. The number of new postgraduate students enrolled was 15,900, with 46,600 postgraduate students on campus in total, and 13,800 postgraduate graduates.⁴ The average starting income for undergraduates was RMB 1,500 to RMB 2,400 per month, and for postgraduates it was RMB 1,800 to RMB 3,000 per month.⁸
- **Scientific research:** In 2012, there were 73 municipal-level or above key laboratories, including eight national-level laboratories and provincial-level cooperated key laboratory bases. There were also 123 engineering technology research centres, of which 10 were at the national level.⁴
- **Training:** The Chongqing Municipal Government has selected 21 institutions as Chongqing Service Outsourcing Talent Training Bases in its first selection. Chongqing has 4,266 professional technical training institutions, with 1.51 million graduates. Most of the general universities offer a syllabus related to Computer Software or Information Services, and 50,000 graduates have related majors every year.⁶

Quality of living

- **Economic status:** In 2012, Chongqing's GDP was RMB 1.14 trillion, an increase of 13.6 percent over 2011. Annual per capita disposable income and annual per capita consumer expenditure for urban residents was RMB 22,968 and RMB 16,573, with an increase of 13.4 percent and 10.7 percent respectively.⁴ In 2011, the average annual income of full-time employees in Chongqing was RMB 40,042.⁹
- **Natural environment:** By the end of 2012, Chongqing had planted 2,040km² of green area, with a forest coverage rate of over 42.1 percent and downtown green coverage of 41.5 percent. There were 340 days with good air quality in 2012.⁴
- **Hotels:** In 2012, Chongqing had 238 star-rated hotels, including 19 five-star hotels.⁴

¹ 2012 China Statistical Yearbook, www.chinayearbook.com/tongji/; Chongqing 2012 Statistical Bulletin for National economic and social development, <http://cq.people.com.cn/newscenter/cq/news.cqr300?Num=7316967>

² Chongqing Foreign Trade and Economic Relations Commission, www.ft.cq.cn/network/

³ Chongqing Sourcing Service, www.cqsourcing.gov.cn

⁴ People's Daily, 'Chongqing 2012 National Economic and Social Development Statistics Bulletin', <http://cq.people.com.cn/newscenter/cq/news.cqr300?Num=7316967>

⁵ Hexun, www.hexun.com

⁶ China Sourcing, <http://chinasourcing.mofcom.gov.cn>

⁷ Chongqing Intellectual Property Office, www.cqipo.gov.cn/templet/default/

⁸ Sina Education, <http://edu.sina.com.cn/>

⁹ Chinayearbook, 'China Statistical Yearbook 2012', www.chinayearbook.com/tongji/

Kunming

City Profile

- Kunming is the capital of Yunnan province, and is also China's gateway hub for South-east Asia.
- Kunming is the only Chinese ASEAN metropolis, and is a national-level border city.



Overview¹

Geographical location: Kunming is located in the south-west of China, and it is possible to reach Asia's key destinations within five hours by air. Yunnan province borders Myanmar, Laos and Vietnam, and is close to Thailand and Cambodia.

Climate: Subtropical plateau monsoon climate
Annual average temperature: 15.5°C (2011)
Annual average rainfall: 659.0mm (2011)

Population: 6,533,000 (2012)

Key industries: Tobacco, Metallurgy, Chemicals, Building Materials, Tourism

Service outsourcing

Key service outsourcing providers (outsourced services)

Jinfonet Software (ITO services)	Dianfengzhongcheng Software (ITO services)
Keling Biology (BPO services)	Shanba Image (BPO services)

Key shared service centres (captive)

PICC (Financial shared service centre)
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Key research & development centres

JReport (Global development centre)

Source: Investment in Kunming, <http://invest.kunming.cn/>

Some of the main contributing factors for Kunming becoming a favoured service outsourcing destination

- As at the end of 2011, many Fortune 500 corporations such as HSBC, Nestlé, Huarun, Datang and Guodian had established branches in Kunming. Investments spread across areas such as New Energy, Finance, Trade and Services, Modern Agriculture, and other industries.²
- Kunming has built three development zones: Kunming National Hi-tech Industrial Development Zone, Kunming Economic and Technological Development Zone and Kunming Tangdian Industrial Park. There are three parks, three zones and three bases in these development zones. The three parks are Yunnan Software Park, Kunming Science and Technology Innovation Park and Jinding Garden of Science and Technology; the three zones are Wangjiaying International Logistics Zone, International Airport Logistics Zone and New Industry Incubation Zone; and the three bases are International Ecological Digital Base, Kunming Information Industry Base and National Software Talent International Training (Kunming) Base.⁴
- In 2012, Kunming approved 63 foreign invested enterprises. The actual use of foreign capital reached USD 1.588 billion, which was a 24.6 percent increase from 2011.
- According to information released in 2012, the cost of Kunming's software talent is 30–40 percent lower than in the eastern developed areas of China. Kunming is also the national information and industrialisation integration experimental area and the national pilot city for integration of the three networks (signals for data, audio and TV transmissions), and has excellent science and technology resources.
- In May 2011, the State Council launched the *Opinion on Supporting Yunnan Province to Accelerate the Construction of the Key Locomotives in Opening up to South-west China*. Yunnan's development has ushered in unprecedented strategic opportunity.

Present state of the service outsourcing sector

- Kunming focuses on the development of Information Technology Service Outsourcing, Medical Service Outsourcing and Logistics Services Outsourcing.
- In 2011, Kunming's service outsourcing contracts amounted to USD 5.2 million, a 194 percent increase on a year-on-year basis.⁴

- In 2008, there were 121 electronic information enterprises in Kunming, with a software business income of around RMB 3.25 billion.
- There were more than 20 enterprises in the city whose software revenue was over RMB 10 million each, of which two enterprises were on the Top 100 Largest Enterprises in the Chinese Software Industry list in 2008.
- More than 100 software enterprises were certified in 2008, with one enterprise being among the nation's key planned software enterprises. There were 300 registered software products.

Related incentives for service outsourcing

- **Government policies:** The Kunming Municipal Government released *Preferential Policies on Promoting the Software Industry and Service Outsourcing Industry in Kunming* (March 2010), *The CPC Kunming Municipal Committee of the Kunming Municipal People's Government's Implementation Opinions on Strengthening the Development of Service Outsourcing* (2008), and other policies. These included: 1) providing special funds to support the service outsourcing enterprises; 2) applying preferential tax policies to outsourcing enterprises; 3) providing subsidies to newly founded software and service outsourcing enterprises; 4) securing land for construction; 5) strengthening the construction of standardised and professional teams and industrial bases; and 6) strengthening the platform of public service.
- **Industrial park policies:** The service outsourcing parks in Kunming also introduced relevant policies to promote service outsourcing, such as *Kunming Economic and Technological Development Zone's Implementation Details to Promote Software Outsourcing Service and Outsourcing Industry Development* (July 2009). The main points included: 1) providing enterprises in the park with special funds to increase the industrial scale; 2) encouraging participation in revising standards and proactive innovation; 3) encouraging the adoption of international standards to strengthen talent policies; 4) providing enterprises in the park with subsidies for office space; and 5) providing services and subsidies to high-end management and technical talents employed by the enterprises in the park.
- **Intellectual property policies:** These included *Regulations on the Progress of Science and Technology of Yunnan Province* (March 2011), *Patent Protection Ordinance of Yunnan Province* (November 2003), and *Science and Technology Project and Intellectual Property Management Approach of Yunnan Province* (October 2009).

Development targets for service outsourcing

- In 2015, the average growth rate of the annual revenue of Kunming's service outsourcing is expected to exceed 20 percent, and the offshore outsourcing exports are expected to exceed USD 30 million, with an average annual growth rate of more than 40 percent. The goal is to cultivate 10 to 15 local enterprises that are able to undertake service outsourcing (including three to five onshore service outsourcing enterprises). It is also hoped that Kunming can attract 10 service outsourcing enterprises that are well-known in China and abroad (including two to three onshore service outsourcing enterprises), as well as cultivate two to three leading enterprises.⁵

Infrastructure

- **Office parks:** Kunming has set up a number of development parks. The overall planned area of the Kunming Science and Technology Innovation Park is 9.8km², and the planned control area is 55.7km².
- **Domestic and international traffic:** In Kunming, there are three main railways – Chengdu-Kunming, Guiyang-Kunming and Nanning-Kunming Railways. Kunming Changshui International Airport operates flights to 89 domestic cities and 26 international cities, mainly in South-east Asia.
- **Telecom infrastructure:** By the end of 2012, Kunming had 1.7434 million fixed-line users (including PHS).⁶

Human resources

- **Education:**
 - In 2012, there were 41 universities and a combined total of 351,000 university students.⁶
 - At the end of 2008, there were 5,541 employees in the Software industry, including 2,816 software R&D personnel and 1,018 management staff members. There were 3,506 people with undergraduate degrees, 1,743 college graduates and 292 people with master's degrees or above working in the Software industry in 2008.
- **Scientific research:** In 2012, Kunming implemented 585 technology projects (including 408 new projects), 16 of which were major scientific and technological projects. There were 5,994 patent applications accepted, and 3,593 patents were authorised for 2012.⁶
- **Training:** 31 universities in Kunming offered 156 service outsourcing related professional disciplines, nine universities offered 60 service outsourcing graduate professional disciplines, three universities offered 17 service outsourcing doctoral disciplines, and language training centres trained a large number of people from across South-east Asia. In 2008, Kunming was approved by the State Administration of Foreign Experts Affairs as the 'National Software Talent International Training (Kunming) Base'.⁶

Quality of living

- **Economic status:** In 2012, Kunming's GDP was RMB 301.114 billion, an increase of 14.1 percent from 2011. Urban annual per capita disposable income reached RMB 25,240 with an increase of 12.0 percent, and urban annual per capita consumption expenditure reached RMB 16,990. The average salary of full-time employees was RMB 41,640.⁷
- **Natural environment:** In 2012, the forestation area was 720.246km², while the forest coverage rate reached 47.06 percent. The number of days of good air quality in Kunming reached 365 days.⁶
- **Hotels:** In 2012, Kunming had six five-star hotels.

¹ 2012 China Statistical Yearbook, www.stats.gov.cn; Kunming 2012 statistical bulletin for national economic and social development, http://tjj.km.gov.cn/structure/tjsjnr_322496_1.htm

² Sohu, <http://news.sohu.com/>

³ CRI Online, 'Mayor of Kunming's Speech at the Fifth Global Outsourcing Round Table Conference', <http://gb.cri.cn/27824/2012/08/26/2625s3824961.htm>

⁴ Kunming Bureau of Commerce, <http://swj.km.gov.cn/structure/index.htm>

⁵ China Trade in Services, 'The Twelfth Five-Year Guideline of Kunming's Service Outsourcing Industry Development', <http://tradeinservices.mofcom.gov.cn/local/2010-03-23/81323.shtml>

⁶ Statistics Bureau of Kunming, 'Kunming 2012 National Economic and Social Development Statistics Bulletin', http://tjj.km.gov.cn/structure/tjsjnr_322496_1.htm

⁷ Statistics Bureau of Kunming, http://xxgk.yn.gov.cn/canton_model12/default.aspx?departmentid=10545

Wuhan

City Profile

- Wuhan is the provincial capital of Hubei province.
- Wuhan is one of the key industrial, commercial and port cities, as well as a key high-tech industrial base.



Overview¹

Geographical location: Wuhan is located east of the Han River Plain, near the midstream of the Yangtze River where the Han River joins the Yangtze River.

Climate: Humid subtropical monsoon climate
Annual average temperature: 16.3°C (2011)
Annual average rainfall: 987.2mm (2011)

Population: 10,120,000 (2012)

Key industries: Iron and Steel, Automobiles and Ship Building, Petrochemicals, Textiles and Leather, Machinery Manufacturing, Electronics Information, Logistics

Key financial back-office service centres

The People's Bank of China (Finance development centre)	UnionPay (Business data service centre)
Bank of Communications (Finance service centre in Mid-China)	China Everbright Bank (Finance lease company)
China Minsheng Bank (National customer service centre)	China Merchants Bank (Credit card centre)

Source: Respective company websites

Service outsourcing

Key service outsourcing providers (outsourced services)

HP (ITO & BPO services)	Wuhan BJC Technology Co., Ltd (ITO services)
Wuhan Tianyu (IT services)	Wuda Geoinformatics (IT services)
Dawnpro (ITO services)	Wuhan Jetsum Information Technology Co., Ltd (IT services)
Wuhan Augmentum (ITO services)	Wuhan Newbiiz Technology (ITO services)
Wuhan Vstar (IT services)	Jiang Toon Animation Co., Ltd (KPO services)
UFIDA Software (SDO services)	Kingdee (SDO services)
IBM (ITO services)	

Key shared service centres (captive)

Panalpina (Wuhan shared service centre)	Cummins (East Asia shared service centre)
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Key research & development centres

Sohu Wuhan R&D Centre (Cloud technology)	Tencent Wireless Internet Technology R&D Centre (Internet technology)
Pfizer Wuhan R&D Centre (Global clinical development)	DPCA (Research and development of top class automobile technology)

Some of the main contributing factors for Wuhan becoming a favoured service outsourcing destination

- Wuhan is one of China's 21 State Council-approved Service Outsourcing Model Cities.
- In 2012, actual used foreign capital in Wuhan amounted to USD 4.4 billion, an increase of 18.2 percent from 2011. There were 44 newly approved projects with FDI of over USD 10 million each, an increase of 6 percent from 2011. By 2012, there were 101 Fortune 500 companies which had invested in a total of 140 projects in Wuhan, with an increase of 17 percent by number of companies and 24 percent by number of projects from 2011.³
- In April 2009, Wuhan was named as a China Outsourcing Service Training Centre by the Ministry of Commerce and the Ministry of Education.⁴
- Wuhan Optical Valley Software Park was designated as a National Torch Plan Software Industry Base by the Ministry of Science and Technology, and as a China Software Service Outsourcing Base by the Ministry of Commerce. In 2006, Wuhan was also named as a China Service Outsourcing Base Model Park. By February 2012, the park was hosting over 100 enterprises and more than 10,000 employees, and the scope included Outsourcing Services, Animation and Finance Services.⁵

Present state of the service trade sector

- In 2012, the total value of imports and exports was USD 5.76 billion, with a year-on-year increase of 40.5 percent – the value of exports was USD 2.14 billion, with year-on-year growth of 51.3 percent, while the value of imports was USD 3.63 billion, with a year-on-year increase of 34.8 percent.²

Present state of the service outsourcing sector

- Service outsourcing in Wuhan focuses on three application software fields: Spatial Information Technology, Information Security and Manufacturing Information. The city is also trying to cultivate new competitiveness in five emerging fields: Embedded Software, Digital Media Content, Internet and Communication Value-added Services, IC Design, and System Integration.
- In 2012, the executed contract value of Wuhan's offshore outsourcing services was USD 300 million, with an increase of 17.9 percent from 2011. There were nearly 700 software and service outsourcing companies and 90,000 employees, with 80 offshore outsourcing service companies and nearly 20,000 employees.⁴
- By the end of 2012, there were 40 companies in Wuhan certified with CMM/CMMI3 or above.

Related incentives for service outsourcing

- **Government policies:** In addition to implementing national supporting policies, the Wuhan Municipal Government subsidises service outsourcing enterprises in terms of personnel training, rentals, self-built facilities, patents and copyright applications, and international certification. It also subsidises those companies undertaking offshore services with funding for loan interest, and provides middle-end to high-end talent with training and transportation costs in the case of overseas training and jobs.
- **Industrial park policies:** In 2012, Wuhan Donghu High-Tech Development Zone issued *Interim Rules on Promoting the Service Outsourcing Industry in Wuhan Donghu High-Tech Development Zone*, and *Opinions on and Implementation Measures for Promoting the Financial Services Platform*. The main points include: 1) a special fund for industry promotion; 2) subsidies for office rental; 3) subsidies for software export; 4) subsidies for international certification applications; 5) tax reductions; and 6) training subsidies.⁶
- **Intellectual property policies:** The Wuhan Intellectual Property Rights Office issued *Wuhan Intellectual Property Rights Strategy Promotion Project 2013*, including the establishment of an intellectual property rights special zone.

Development targets for service outsourcing

- By 2015, it is projected that Wuhan's software and service outsourcing industry will reach total revenue of RMB 120 billion. It is also hoped that by 2015, a group of leading enterprises will have been cultivated that has strong core competitiveness and influence in domestic and international markets.²

Infrastructure

- **Office parks:** Wuhan has the Wuhan Optical Valley Software Park, Donghu New Technology Development Zone, Wuhan Economic and Technology Development Zone, and Dongxihu Logistics Industrial Park. Wuhan Optical Valley Software Park, whose construction is complete, occupies a construction area of 730,000m². Construction has started on Wuhan New Software Park, which has an area of 3,400,000m² – Phase I is 200,000m² and is projected to start operating by the end of 2013.⁵

- **Domestic and international traffic:**
 - Wuhan has a highway system of 13,337km.
 - The city is the intersection point of five main railroads, including Beijing-Guangzhou, Beijing-Kowloon and Beijing-Hong Kong Railways.
 - Wuhan Tianhe International Airport operates 203 flight routes, including 19 international and 184 domestic routes, and connects to 76 domestic cities and areas and to nine countries in 2012.
 - From the Port of Wuhan, ships can travel to Chongqing, Chengdu and Shanghai along the Yangtze River.³
- **Telecom infrastructure:** At the end of 2012, Wuhan had 3.16 million fixed-line users and 15.93 million mobile phone users,³ as well as 3.12 million broadband subscribers.⁷

Human resources

- **Education:** In 2012, Wuhan had 79 general universities, with a combined postgraduate population of 106,100.³ In 2011, Wuhan had a total of 79 general universities with 1.918 million students and 543,000 graduates.⁹ In 2011, the average monthly income for junior college graduates was RMB 2,123, for university graduates it was RMB 2,983 and for postgraduates it was RMB 3,872.⁸
- **Scientific research:** At the end of 2012, Wuhan had 104 scientific research institutes, 20 national-level key laboratories, one national-level laboratory, three national-level engineering laboratories, 23 national-level engineering research centres, and 19 national-level company technology centres.³
- **Training:** At the end of 2012, Wuhan had 14 professional outsourcing service institutions, and over 22,000 people completed outsourcing training.⁴

Quality of living

- **Economic status:** In 2012, Wuhan's GDP was RMB 800.3 billion, an increase of 11.4 percent from 2011. Urban annual per capita disposable income and urban annual per capita consumption expenditure reached RMB 27,061 and RMB 18,813.14, with an increase of 14.0 percent and 9.8 percent respectively from 2011.³ The average annual salary of full-time employees was RMB 45,643.6.⁹
- **Natural environment:** In 2012, Wuhan's green area was 62.2698km². The per capita green area was 9.9m², with a total green coverage of 38.19 percent and forest coverage of 27.11 percent. There were 321 days with good air quality.³
- **Hotels:** In 2012, Wuhan had 97 star-rated hotels, including 13 five-star hotels.³

¹ 2012 China Statistical Yearbook, www.stats.gov.cn; Wuhan 2012 statistical bulletin for national economic and social development, www.whepb.gov.cn/u/cms/whepb/201303/04104216byje.pdf

² Department of Commerce of Hubei Province, www.hbdofcom.gov.cn

³ Wuhan 2012 National Economic and Social Development Statistics Bulletin, www.whepb.gov.cn/u/cms/whepb/201303/04104216byje.pdf

⁴ WuHan Sourcing, www.wuhansourcing.gov.cn

⁵ Dalian Software Park, www.dlsp.com.cn

⁶ Wuhan East Lake High-tech Development Zone, www.wehdz.gov.cn/structure/index.htm

⁷ Wuhan Statistical Yearbook 2012, tongji.cnki.net

⁸ Xinhua, www.xinhuanet.com/newscenter/index.htm

⁹ National Bureau of Statistics of China, 'China Statistical Yearbook 2012', www.stats.gov.cn/tjsj/ndsj/

Xi'an

City Profile

- Xi'an is the capital of Shanxi province, and is an important historical and cultural city in China.
- Xi'an is one of the important bases for scientific research, advanced education, military technology and high technology in Mid-west China.



Overview¹

Geographical location: Xi'an is located in the middle section of the Yellow River within the Guanzhong Basin, south of Shanxi province.

Climate: Semi-humid continental monsoon climate in a warm temperate zone

Annual average temperature: 14.1°C (2011)

Annual average rainfall: 717.8mm (2011)

Population: 8,552,900 (2012)

Key industries: High Technology, Modern Equipment Manufacturing, Tourism, Services, Culture

Service outsourcing

Key service outsourcing providers (outsourced services)

HOV (BPO services)	Solam (Software development outsourcing)
Newegg (BPO services)	GrapeCity Xi'an (SDO services)
Fujitsu (ITO services)	Objectiva (ITO services)
CompuPacific International (BPO services)	BUT'ONE (IT services)

Key shared service centres (captive)

DSM (Global financial shared service centre)	ZTE (Global financial shared service centre)
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Key research & development centres

UFIDA R&D Centre in Western China	Siemens Intelligence Traffic R&D Centre
Schneider-Electric R&D Centre	General Electric China Innovation Centre
IBM China R&D Centre	Oracle Software R&D Centre

Source: Respective company websites

Some of the main contributing factors for Xi'an becoming a favoured service outsourcing destination

- Xi'an is one of China's 21 State Council-approved Service Outsourcing Model Cities.
- As one of the model zones in the national service outsourcing base zones, the Xi'an Software Park is one of the four parks in the city that is both a National Software Industry Base and National Software Export Base. It is also a National Torch Plan Software Industry Base.²
- In 2012, Xi'an approved 87 projects with direct foreign capital investment, with a contract amount of USD 3.6 billion, which was double the figure from 2011. The actual used foreign capital amount was USD 2.4 billion, a 23.6 percent increase from 2011.³
- Xi'an Software Park hosts 90 percent of the software and service outsourcing enterprises in Xi'an. Since September 2001, the industry has continually increased by 30 percent year-on-year, with over 100 new companies and 10,000 to 20,000 new employees every year. The industry has gathered a group of companies in terms of Software Development, Software Application and Information Services. The software park was awarded '2011 Best Park Environment for Investment', '2011 Most Influential Brand Industry Park for the China Software and Information Technology Service Industry', '2011 Eguan e-Business Ecological Environment Star', '2011 EnfoNet Award Mobile Internet Star', and was the only 'Best Pilot Park' in Xi'an.⁴
- At the end of 2012, the Software Outsourcing and Service Outsourcing industry in the Xi'an High-tech Zone had an operational income of RMB 78.8 billion, a year-on-year increase of 35.1 percent. The value of service outsourcing exports was USD 0.38 billion, an increase of 30.93 percent year-on-year. There were 1,260 companies and 115,000 employees, including IBM, Sybase and Oracle from the US; Infineon from Germany; Schneider from France; Platform from Canada; Fujitsu, NEC and DENSO from Japan; Besta, Advantech and NewSoft from Taiwan; and Huawei, ZTE, Kingdee, UFIDA, IWNCOMM, Jump and Saming from China. There were more than 100 companies covering IT Support, BPO Services, Call Centres, Data Information Services and e-Business, and Electronic Transactions, including Yum, DNB, Ping An and Digitalchina.

Present state of the service outsourcing sector

- Xi'an focuses on the development of Software R&D Outsourcing, Manufacturing BPO, R&D Outsourcing for Aerospace Engineering, Aviation Software and BPO, Online Games and Animation.²

- At end of 2011, Xi'an was the home to over 1,100 software and service outsourcing enterprises, with the total number of employees exceeding 100,000. There were 80 new companies and 10,000 new employees, 65 percent of which were undergraduates. The executed contract value of international service outsourcing was USD 0.33 billion, an increase of 38 percent.⁵

Related incentives for service outsourcing

- **Government policies:** The Xi'an Municipal Government has introduced a number of incentives, such as *Opinions on Promoting the Software Service Outsourcing Industry* (April 2007), *Supporting Policies on Promoting the Software Service Outsourcing Industry* (June 2007), and *Xi'an Municipal Government's Opinions on further Improving Software and Service Outsourcing Industry Development* (May 2009). The main points include: 1) financial arrangements to support the development of pilot service outsourcing industrial parks and the infrastructure in the software and service outsourcing industry; 2) the introduction of preferential tax incentives; and 3) support for the software and service outsourcing export businesses.²
- **Industrial park policies:** Xi'an Yanliang National Aviation Hi-tech Industrial Base, Xi'an Aerospace Science and Technology Industry Base, and Xi'an Beilin Science and Technology Park all have Service Outsourcing as the key industry for their development, and issued a series of preferential policies to attract domestic and overseas investors to develop service outsourcing business in Xi'an.²
- **Intellectual property policies:** *Xi'an Hi-tech Administration Committee: Promotion of Company Patent Development Temporary Regulation* (March 2010), *Shanxi Patent Industrialisation Capital Management Regulation* (April 2006), *Shanxi Patent Application Capital Management Regulation* (April 2006), and *Shanxi Patent Protection Regulation* (January 2004).²

Development targets for service outsourcing

- By 2015, the total turnover of Xi'an's Software and Service Outsourcing industry is expected to reach USD 18.7 billion, with USD 1 billion in exports. It is anticipated that Xi'an will attract 100 leading enterprises in the industry to set up operations in the city, and that Xi'an will build two enterprises with over 10,000 employees each and 60 enterprises with over 1,000 employees each. The total number of employees is therefore expected to exceed 300,000. It is hoped that the value of the High-tech industry will reach RMB 400 billion, accounting for over 50 percent of gross industrial output value, with an increase rate of 25 percent.⁶

Infrastructure

- **Office parks:** Xi'an's office parks are mainly located in the Xi'an National High-tech Development Zone. Xi'an Software Park comprises a pilot zone, a service outsourcing base and a 'new software city'. The pilot zone and service outsourcing base have construction areas of approximately 400,000m² and 300,000m² respectively, while the new software city covers a planned area of 4,000,000m².²
- **Domestic and international traffic:**
 - Xi'an has over 2,800km of highways, with five national highways passing through the city.⁷
 - Xi'an Railway Station is one of the top grade stations and is a key station of the Eurasian Land Bridge.
 - Xi'an Xianyang International Airport is one of the top four international airports in China. By the end of 2012, there were 202 air routes directly connecting Xi'an with more than 100

destinations, including domestic cities as well as Tokyo, Osaka, Fukuoka, Nagaya, Hiroshima, Niigata, Seoul, Hong Kong and Macau.

- By the end of 2012, there were 100 shipping destinations, including 11 international shipping destinations and 11 international air routes.²

- **Telecom infrastructure:** In 2012, there were 3.11 million fixed-line users, 18.03 million mobile phone subscribers, and 3.94 million 3G mobile phone users. In 2011, there were 1.84 million broadband subscribers in Xi'an.⁸

Human Resources

- **Education:** In 2012, Xi'an had 62 general universities, with a combined student population of 724,000, and 186,400 graduates. There were also 44 postgraduate institutes, with a combined student population of 84,700, and 23,000 graduates.³
- **Scientific research:** In 2012, there were 337 science technology projects, including 26 high-tech projects, and 216 science innovation and achievement transformation projects. There were 118 key supported high-tech companies, 19 agriculture science technology model parks, and 10 county-level industrial science technology guiding projects. In 2012, the trade value of the technology market was RMB 30.3 billion. There were 15,029 patents applied for and 3,475 patents authorised.³
- **Training:** Xi'an has three national software colleges, with nearly 30,000 graduates across various disciplines such as Software, Computers and Communication every year. Xi'an Software Service Outsourcing Institute is the talent training base for Shanxi's software service outsourcing, the graduate internship base of Xi'an, and the high-tech software service outsourcing talent internship base. Since October 2009, nearly 2,000 people have been trained and nearly 500 people have been employed in software companies in Xi'an, while 1,200 people have been trained.

Quality of living

- **Economic status:** In 2012, Xi'an's GDP reached RMB 436.9 billion, an increase of 11.8 percent from 2011. The annual per capita disposable income of urban residents reached RMB 29,982, a year-on-year increase of 12.3 percent, and annual urban per capita consumption expenditure was RMB 21,434, a year-on-year increase of 11.0 percent.³ In 2011, the average annual salary of employees in Xi'an was RMB 41,678.⁹
- **Natural environment:** In 2011, the city's green coverage rate was 39 percent or 9.89m² of public green space per capita, and there were 66 parks. Xi'an had 305 days with good air quality in 2012.¹⁰
- **Hotels:** As at 2011, Xi'an had 121 star-grade hotels, with nine five-star hotels.¹¹

¹ Chinayearbook, 'China Statistical Yearbook 2012', www.chinayearbook.com/tongji/, Chinayearbook, 'Xi'an Statistical Yearbook 2012', www.chinayearbook.com/tongji/

² Xi'an Outsourcing Service, www.xasourcing.gov.cn

³ Xi'an 2012 National Economic and Social Development Statistics Bulletin, www.shaanxi.gov.cn/0/1/65/365/371/141002.htm

⁴ Xi'an Software Park, www.xasoftpark.com

⁵ Shangbao, www.shangbao.net.cn

⁶ Xi'an Software Park, 'Suggestions about Promoting the Development of the Software and Service Outsourcing Industry', www.xasoftpark.com/nr.jsp?urltype=news.NewsContentUrl&wbnewsid=45196&wbtreeid=18490

⁷ China.org.cn, www.china.com.cn

⁸ Chinayearbook, 'Xi'an Statistical Yearbook 2012', www.chinayearbook.com/tongji/

⁹ Chinayearbook, 'China Statistical Yearbook 2012', www.chinayearbook.com/tongji/

¹⁰ Xinhua, www3.xinhuanet.com

¹¹ Xi'an Tourism China, www.xian-tourism.com

Zhengzhou

City Profile

- Zhengzhou is the capital of Henan province and is an important city in the Central China region.
- Zhengzhou is the political, economic, cultural, financial and traffic centre of Henan province.



Overview¹

Geographical location: Zhengzhou is located in mid-northern Henan province, with the Yellow River to the north, Mount Song to the west and the Huanghuai Plain to the south-east.

Climate: Continental climate in a warm temperate zone
Annual average temperature: 15.1°C (2011)
Annual average rainfall: 706.5mm (2011)

Population: 9,031,000 (2012)

Key industries: Modern Logistics, Business, Finance, Cultural and Creative Tourism, High-tech Services, Real Estate, Public Services

Service outsourcing

Key service outsourcing providers (outsourced services)

Cellent (ITO services)	Ruizhiqi (BPO services)
Weigu Network (ITO services)	Zhimakaimen (BPO services)
863 Soft (ITO services)	UNIS (BPO services)

Key research & development centres

Nissan (Global LCV professional R&D Centre)	SDIC (Clean energy technology R&D centre)
ZTE (Telecommunications R&D centre)	New Zealand Agriculture and Animal Husbandry (R&D centre)

Key financial back-office service centres

China Minsheng Banking Corp., Ltd (Contracted)	PICC Property and Casualty Company Limited (Intention of signing)
China Construction Bank (Intention of signing)	

Source: Respective company websites; The People's Government of Zhengzhou, www.zhengzhou.gov.cn

Some of the main contributing factors for Zhengzhou becoming a favoured service outsourcing destination

- The government of Henan province issued *Implementation Opinions on Accelerating the Transformation of the Foreign Trade Development Mode and Promoting Foreign Trade with Rapid Development*, supporting Zhengzhou to apply to become a State Council-approved Service Outsourcing Model City.²
- By the end of June 2012, 39 Fortune 500 companies had settled in Zhengzhou, with another 18 intending to invest.²
- Zhengzhou has the following new developments – Zhengdong New Area, Airport Area, two State-level Development Zones and one State-level Export Processing Zone.³

Present state of the service trade sector

- According to preliminary statistics, in 2012, Zhengzhou's aggregate service trade value was RMB 219.62 billion, accounting for 39.6 percent of the city's GDP.¹

Present state of the service outsourcing sector

- Zhengzhou has established three provincial-level service outsourcing demonstration areas – New & Hi-tech Industrial Development Zone, Zhengzhou Economic and Technological Development Zone and Huiji District. By the end of 2012, Zhengzhou had more than 110 outsourcing enterprises, with sales revenue exceeding RMB 2 billion and more than 20,000 people employed.⁴

Related incentives for service outsourcing

- **Government policies:** The Henan Provincial Department of Commerce released *The Notice of Support to Undertake International Service Outsourcing Business Development Funds 2012*, with six measures to support the outsourcing service enterprises in the province, including: 1) orientation training subsidies for new staff in service outsourcing companies; 2) orientation training support for outsourcing service training institutions; 3) support for the related certification of service outsourcing companies, and certification maintenance and upgrades; 4) support for public technical service platforms, public information service platforms and public training service platforms; 5) one-off subsidies for service outsourcing companies to register overseas enterprises and trademarks; 6) one-off funding for loan interest for service outsourcing enterprises.⁵

- **Industrial park policies:** The Zhengzhou Economic and Technological Development Zone has a series of preferential policies regarding expanding opening up, attracting foreign investment, encouraging exports, developing high-tech industries, and providing strong support to both domestic and foreign projects. These policies include: policies promoting the development of the Central region, policies for the state-level economic and technological development zone, policies for the Export Processing Zone, policies for the High-technology Entrepreneurship Centre, and policies for Overseas Students Pioneer Park.⁶
- **Intellectual property policies:** The *Zhengzhou Intellectual Property Protection and Promotion Ordinance* (October 2009) was released to protect invention patents, encourage the creation of inventions, promote the progress of science and technology and innovation, and maintain the socialist market economic order.⁷

Development targets for service outsourcing

- With the presence of the Central Software Industry Park, Henan Province Software Park and Zhengzhou Information Industry Creation Zone, Zhengzhou mainly focuses on ITO and BPO. Zhengzhou is focusing on attracting a batch of famous service outsourcing enterprises, cultivating a number of local leading service outsourcing enterprises with self-developed intellectual property rights and brands, and attempting to build a concentrated area of industrial resources and distinctive service outsourcing. Zhengzhou is actively undertaking international service outsourcing business; gradually expanding the service outsourcing business to application services, service exports and products with independent intellectual property; and actively applying to become a Service Outsourcing Model City in China.⁸

Infrastructure

- **Office parks:** In 2012, Zhengzhou had Zhengdong New Area, Airport Area, two State-level Development Zones and one State-level Export Processing Zone. With a planned site area of 158.5km², Zhengzhou Economic and Technological Development Zone is home to over 3,000 enterprises, including 205 foreign invested enterprises and 31 projects with direct investment by listed companies.⁴
- **Domestic and international traffic:**
 - Zhengzhou had 12,211km of highways in 2012, including 450km of expressways.
 - After completion of the railway between Zhengzhou and Xinzheng International Airport, Zhengzhou and Kaifeng, and Zhengzhou and Jiaozuo, there will be a one-hour circular route, with Zhengzhou and Luoyang as the centre and sub-centre respectively. There will also be a network connecting Central China with main railway trunks such as Beijing-Guangzhou and Lanzhou-Lianyungang. New Eurasia Land Bridge, Longhai Railway, Jingguang Railway, Jingguang (Beijing to Hong Kong) High-speed Rail, Longhai High-speed Rail and Zhengyu High-speed Rail (Jingkun High-speed Rail) all cross through Zhengzhou and extend in different directions.
 - Zhengzhou Xinzheng International Airport operates 90 air routes, including 84 domestic routes and six international and regional routes, connecting 67 domestic and international cities and regions.¹
- **Telecom infrastructure:** By the end of 2012, Zhengzhou had 2.47 million fixed-line users and 10.22 million mobile phone users, as well as 2.03 million broadband subscribers.¹

Human Resources

- **Education:** In 2012, Zhengzhou had 53 general universities, with a student intake of 223,000, a student population of 698,000, and 194,000 graduates. There were also 11 postgraduate institutes, with a student intake of 6,748, a student population of 18,600 and 5,845 graduates. The average monthly salary for graduates in 2012 was RMB 2,852.⁹
- **Scientific research:** 5,500 various types of technical contracts have been signed, marking an increase of 6.0 percent, while the total turnover of technology contracts reached RMB 6.51 billion, an increase of 18.1 percent. There were 13 national-level corporate engineering centres, with an increase of 8.3 percent compared to the previous year, and 254 provincial-level corporate technology centres, with an increase of 13.9 percent.¹

Quality of living

- **Economic status:** In 2012, Zhengzhou's GDP was RMB 554.7 billion, with an increase of 12 percent compared with 2011. Per capita disposable income for urban residents reached RMB 24,246, with an increase of 12.2 percent compared to 2011.¹ In 2011, the average annual salary of full-time employees was RMB 35,000.¹⁰
- **Natural environment:** By the end of 2012, per capita public green space was 11.3m², with an urban coverage of 36.1 percent. There were also 61 parks covering 18.93km².¹ There were 318 days with good air quality in 2011.¹¹
- **Hotels:** In 2012, Zhengzhou had 41 star-rated hotels, including four five-star hotels.¹²

¹ Hexun.com, 'Zhengzhou 2012 National Economic and Social Development Statistics Bulletin', <http://news.hexun.com/2013-03-26/152474278.html>

² Zhengzhou Daily Newspaper, www.zynews.com

³ Zhengzhou, www.zhengzhou.org.cn

⁴ Zhengzhou Municipal Committee of CPPCC, www.zzzxy.gov.cn/zzzx/

⁵ Ministry of Commerce of the People's Republic of China, www.mofcom.gov.cn/?918739861=1122825106

⁶ Zhengzhou National Economic and Technical Development Zone, The AC, <http://zzjqk.gov.cn/>

⁷ Legislative Affairs Office of the State Council P. R. China, www.chinalaw.gov.cn

⁸ Zhengzhou Twelfth Five-Year Plan for National Economic and Social Development, www.gov.cn/2011lh/content_1825838.htm

⁹ Baicai, <http://shanghai.baicai.com/>

¹⁰ National Bureau of Statistics of China, 'China Statistical Yearbook 2012', www.stats.gov.cn/tjsj/ndsj/

¹¹ Zhengzhou EPA, www.zzepb.gov.cn

¹² China National Tourism Administration, 'The Fourth Season of the 2012 National Star-grade Hotel Statistical Bulletin', www.cnta.gov.cn/html/2013-2/2013-2-22-16-2-05995.html





Southern China cities

Foshan

Fuzhou

Guangzhou

Hong Kong

Shenzhen

Xiamen

Foshan

City profile

- Foshan is the third biggest city in Guangdong province.
- Foshan is the centre of the economy, culture, technology, education, traffic, trade and tourism in Guangdong province.



Overview¹

Geographical location: Located in the middle of Guangdong province at the north of the Pearl River Delta, Foshan is an interchange between East Asia and South-east Asia, bordering Guangzhou in the east and Hong Kong and Macau in the south.

Climate: Humid subtropical monsoon climate
Annual average temperature: 23.1°C (2011)
Annual average rainfall: 1,282.3mm (2011)

Population: 7,261,800 (2012)

Key industries: Machinery and Equipment, Household Appliances, Ceramics, Building Materials, Metal Materials Processing and Products, Textiles and Garments, Electronic Information, Food and Beverages, Chemicals and Pharmaceuticals, Household Goods Manufacturing

Service outsourcing

Key service outsourcing providers (outsourced services)

CarysBio (Medical service outsourcing)	Inspur (Global service outsourcing)
Capgemini (BPO services)	OSRAM (China) Lighting Ltd. (Headquarters management)
Fujitsu South China Data Centre (Data processing)	Genpact (Life insurance industry background services)
IBM Outsourcing Nanhai Base (Customer relationship management, finance and accounting outsourcing services)	Sky IT (Converged communication services)

Key shared service centres (captive)

KPMG (Shared service centre)	HSBC (Global customer service operation centre)
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Key research & development centres

HKUST LED-FPD R&D Centre (Photoelectric display, energy saving and environmental protection, new material, etc.)	Galanx R & D Centre (Tech R&D)
Valeo R&D Centre (Auto parts R&D)	Haid Group (Freshwater fish seed R&D)

Key financial back-office service centres

AIA Asia Pacific Support Centre	PICC Southern Information Centre
Guangdong Development Bank Support Centre of Southern China	HSBC Global Trading Foshan Centre
CPIC Insurance Operations Centre of Southern China	

Source: The Bureau of Foreign Trade and Economic Cooperation of Foshan City, www.foshan.gov.cn; respective company websites

Some of the main contributing factors for Foshan becoming a favoured service outsourcing destination

- Foshan's highly developed manufacturing industry is very important for the development of the international service outsourcing industry. Therefore, experts consider Foshan to be a special case study of international offshore service outsourcing development in the Pearl River Delta Economic Zone.² According to the '2013 China Urban Competitiveness Blue Book' released by the Chinese Academy of Social Sciences, Foshan ranks eighth in comprehensive competitiveness among all the cities across greater China and first among all the prefecture-level cities. The 'Made in Foshan' label has a good reputation at home and abroad. Foshan has formed a complete industry category and a fully equipped modern industrial system.³
- Following its economic development, Foshan requires industrial transformation and upgrade. Foshan is trying to develop its service industry in an attempt to make it the leading service industry that will account for more than 60 percent of the tertiary industry and achieve the order of the 'Three-Two-One' industrial pattern by 2020.⁴
- In 2012, Foshan signed 155 new foreign direct investment projects with a contract amount of USD 3.31 billion of foreign capital, an increase of 1.5 percent over the previous year. The actual use of foreign direct investment was USD 2.35 billion, an increase of 9.1 percent compared to the previous year.⁵

Present state of the service outsourcing sector

- In recent years, Foshan has vigorously developed its service outsourcing, increasingly expanding the scale and forming its own unique financial service outsourcing, software and information services outsourcing, as well as industrial design service outsourcing.³
- Foshan now has 120 service outsourcing enterprises and supports IBM, Genpact, Langchao and other Fortune 500 and well-known service outsourcing enterprises. The business scope covers ITO, technical BPO services and technical KPO. International certification has been achieved by 60 enterprises and over 10,000 people are engaged in the service outsourcing industry.³

- The service outsourcing industry in Foshan is mainly located in three areas: the Nanhai, Chancheng and Shunde districts. These form a service outsourcing industry zone covering the Guangdong Financial High-tech Service Zone, Guangdong (Foshan) Software Industrial Park and Guangdong Industrial Design City, and have a clear focus, smart positioning and distinctive service types.³

Related incentives for service outsourcing

- **Government policies:** In 2008, Foshan introduced the *Opinions on Speeding up the Development of the Service Outsourcing Industry in Foshan* and proposed a series of measures such as setting a high starting point for the service outsourcing industry, increasing revenue, introducing and cultivating service outsourcing enterprises, increasing training and attracting talent, actively facilitating international cooperation, and creating a good investment and operation environment. The city has also introduced the 'Foshan Service Outsourcing Industry Development Plan', 'Foshan Modern Service Industry Development 12th Five-Year Plan', 'Foshan Modern Information Service Industry Development Plan' and other policies, with support from the planning, finance, innovation, government procurement, personnel training and other government functions. These policies also support the service outsourcing industry development and investment, and increase efforts to support special funding arrangements.
- **Intellectual property policies:** In 2011, *Foshan issued the Foshan City Intellectual Property Strategy*, this has helped to implement an intellectual property strategy; introducing policies to encourage inventions; cultivating its own intellectual property rights; promoting intellectual transformation; and strengthening its intellectual property management and other aspects of policies to guide business and industry to improve innovation and create, use, protect and manage patents to improve competitiveness.

Development targets for service outsourcing

- Guided by the scientific development concept, Foshan is able to:
 - take full advantage of the global services industry transfer and industry upgrade
 - strive to build an industrial cluster which provides distinctive services
 - introduce large outsourcing enterprises at home and abroad
 - accelerate the development of model enterprises with its own intellectual property rights and its own brands
 - promote the interaction between service outsourcing and other industries
 - build Foshan into a Service Outsourcing Model City in Southern China.

Infrastructure

- **Office parks:** These include Foshan National High-tech Zone, Sino-German Industrial Services Zone and Guangdong High-tech Service Zone for Financial Institutions, as well as the Southern China Intellectual Valley, Guangdong Industrial Design City, Southern China Biomedicine City, Wisdom Metro, Gaoming New Material Industry Base, Nanhai Environmental Protection Industry Base, Guangdong IOT Information Industrial Park, Guangdong New Light Industrial Base, Haier (Sanshui) Industrial Park Logistics Centre, etc.
- **Domestic and international traffic:** Foshan's modern use of roads, railways, rivers and air travel make it a transportation hub in the Pearl River Delta:

- The city has a total of 5,205km of highways and a road network density of 137.1km/100km². Seven major highways run through the city, including the Guangzhou-Zhuhai, Guangzhou-Zhanjiang, Guangzhou-Zhaoqing, Guangzhou-Sanshui and Guangzhou-Gaoming highways.
- The Guangzhou-Zhanjiang Railway connects the city with the national railway network, and the Guangzhou-Foshan Railway is the first intercity railroad in China. The Guangzhou-Zhuhai Intercity Railway more closely connects Foshan with Guangzhou, Zhongshan, Zhuhai, Hong Kong and Macau. The railway directly connects Foshan and Kowloon (Hong Kong), while Nan (Goi) Gang Railway, Foshan-Zhaoqing Intercity Railway, phase II of the Guangzhou-Foshan Railway and Foshan West Railway Station are under construction.
- Foshan Airport has five civil aviation routes and connects with Guangzhou Baiyun International Airport. There are 15 foreign ports, of which four are first-class (Shunde Harbour, Nanhai Harbour, Gaoming Port and Foshan Railway Station) and 11 are second-class ports.

Human resources

- **Education:** In 2012, Foshan had three general universities with a student intake of 45,800, while 14 universities from other provinces have education institutions in Foshan. These include the Nanhai College of South China Normal University, the Institute of Information Technology of North-eastern University, Guangdong Light Industry Technical College, Sanshui College of Guangdong Business School and Sunde Branch Campus of Southern Medical University. Moreover, Foshan has 38 secondary vocational education schools that carry out customised requirements, whereby companies and schools cooperate to support the development of the service industry. Benefiting from Guangzhou and Foshan's 'one-city' programme, Foshan can make full use of the human resources from the universities in Guangzhou.
- **Scientific research:** Foshan has launched a strategic cooperation initiative with the Chinese Academy of Sciences and Zhongguancun. The Chinese Academy of Sciences in particular has coordinated more than 500 projects, created more than 60 products, achieved 30 industrialised products and driven over RMB 30 billion in output value. Foshan is a national information technology and industrialisation pilot area and there are 46 projects identified as demonstration projects. In 2012, Foshan started to create a national innovation-orientated city by promoting industrial structure optimisation, implementing the new strategy and sustaining healthy growth.

Quality of living

- **Economic level:** In 2012, Foshan's GDP was RMB 670.9 billion, an increase of 8.2 percent over 2011. Urban residents' annual per capita annual disposable income was RMB 34,580, with an increase of 12.6 percent over 2011. Savings deposits of urban and rural residents totalled RMB 521.52 billion, an increase of 10.8 percent compared to the opening amount in 2012.
- **Natural environment:** There were 355 days with good air quality (API≤100). The city has a lot of green area throughout, and initially formed a "green, intricately interlinked pergola surrounded by parks."
- **Hotels:** Foshan has excellent tourism facilities. In 2012, it had 96 star-rated hotels, including nine five-star hotels, 19 four-star hotels and more than 10 hotels being built with four-star to five-star ratings and above.

¹ Foshan Statistical Yearbook 2012, www.fstjj.gov.cn; Foshan 2012 National Economic and Social Development Statistics Bulletin, www.fstjj.gov.cn

² Blue Paper of Guangdong International Trade Development, www.mofcom.gov.cn

³ The Bureau of Foreign Trade and Economic Cooperation of Foshan City, www.fsbofec.gov.cn

⁴ Nanfang Daily, www.nfdaily.cn

⁵ Foshan 2012 National Economic and Social Development Statistics Bulletin, www.fstjj.gov.cn

Fuzhou

City profile

- Fuzhou is the capital city of Fujian province.
- Fuzhou is one of China's open coastal cities, and is an emerging industrial city on the west coast of the Taiwan Strait.



Overview¹

Geographical location: Fuzhou is located in the east of Fujian province.

Climate: Subtropical oceanic monsoon climate
Annual average temperature: 20.2°C (2011)
Annual average rainfall: 1,244.9mm (2011)

Population: 6,552,700 (2012)

Key industries: Electronic Information, Textiles & Garments, Metallurgy, Plastic, Automobiles & Components

Service outsourcing

Key service outsourcing providers (outsourced services)

Foxit Corporation (ITO services)	NetDragon Websoft Inc. (Software development outsourcing)
Fuzhou Jieao Software (IT services)	Fujian Rongji Software (ITO services)
Fujian Star Net Communication Co., Ltd (ITO services)	Fujian Linewell Software Engineering Development Co., Ltd (Software development outsourcing)
Rockchip Electronics Co., Ltd (ITO services)	Guomai Technologies Co., Ltd (IT services)

Key research & development centres

Mercedes-Benz (Commercial vehicle development centre)	China Metallurgical Group Corporation (Development centre)
Rockchip Software (Provincial software development centre)	Fujian Star Net Communication Co., Ltd (Provincial software development centre)
Fujitsu (Provincial software development centre)	Apex Soft Solutions (Provincial software development centre)
Wastewater Advanced Treatment and Toxicity Control Technology Development Centre	SCUD Group Ltd (Development centre)

Source: www.fzsp.com; respective company websites

Some of the main contributing factors for Fuzhou becoming a favoured service outsourcing destination

- In 2012, Fuzhou approved 148 new foreign invested projects with a total amount of USD 2.056 billion and a growth rate of 16.20 percent. The actual use of foreign capital reached USD 1.339 billion (according to the capital verification standard) and the growth rate was 4.8 percent compared to 2011.²
- Fuzhou has a national-level high-tech industry development zone – Fuzhou Science and Technology Park; a National Torch Plan Software Industry Base – Fuzhou Software Park; and the Fuzhou Economic and Technology Development Zone.³
- The Fuzhou Software Park is home to three national-level laboratories (bases), three provincial-level R&D centres and one city-level R&D centre. Resident enterprises have undertaken 44 important science and technology projects. With over 400 registered proprietary intellectual properties, the park is currently the main base for the city's information technology outsourcing business.³
- Fuzhou is an import base for economic and trade communication between mainland China and Taiwan.¹ The Fujian Municipal People's Government and the Ministry of Information Industry have signed the *Cooperation Agreement on the Acceleration of the Development of the Information Industry in the Economic Zone on the West Coast of the Taiwan Strait* to promote cooperation between the information industries of Fujian and Taiwan.³

Present state of the service outsourcing sector

- Fuzhou's outsourcing industry focuses on software development outsourcing, animation and game product exports, embedded software product exports, finance and insurance service outsourcing, business processes, and technical maintenance outsourcing.³
- Fuzhou was home to 103 service outsourcing enterprises and 6,745 staff members in 2011.³
- In 2011, 436 enterprises settled in Fuzhou Software Park. There were 17 enterprises which each exceeded RMB 100 million in production value; two ranked in the domestic top 100 in software revenue; three were National Key Software Enterprises; and more than 13,000 technical personnel worked in the Software Park, covering areas such as Telecommunications, Finance, Securities, Electric Power, Traffic Logistics, Education and Health.⁴

Related incentives for service outsourcing

- **Government policies:** The Fuzhou Municipal People's Government issued the circular *Preliminary Opinions on Introducing Large Enterprises and Settling Development Centres in our City* (November 2011), *Opinions on Promoting the Development of the Outsourcing Industry* (November 2008) and other implementation measures. These circulars aim to: 1) establish a management team to enhance the leadership; 2) build a model service outsourcing zone; 3) set up a special development fund for the service outsourcing sector; 4) deepen cooperation between Fujian, Taiwan, Hong Kong and Macau; 5) encourage service outsourcing enterprises to obtain international certifications; and 6) encourage domestic and overseas enterprises to set up R&D centres in Fuzhou.³
- **Industrial park policies:** The Fuzhou Software Park has issued preferential policies to attract high-tech enterprises. These include: 1) tax reductions and exemptions; 2) capital support; and 3) rent reduction and exemptions.³
- **Intellectual property policies:** These include *Rules of Patent Protection and Promotion in Fuzhou* (October 2011), *Law Enforcement Standardisation of Patent Administration in Fujian Province (Trial)* (December 2007) and *Regulations on Patent Protection in Fujian Province* (June 2004).³

Infrastructure

- **Office parks:** Fuzhou has the Fuzhou Economic and Technology Development Zone, the Fuzhou Science and Technology Park and the Fuzhou Software Park. The planned area for Fuzhou Software Park is 3.3km², which is currently the largest software industry park in Fujian province.³
- **Domestic and international traffic:**
 - In 2012 Fuzhou has 1,170km of roads and 430km of highways.
 - The train from Fuzhou to Shanghai takes only seven hours since the Wenzhou–Fuzhou Railway was launched.
 - Fuzhou Changle International Airport has 53 domestic flights (including to Hong Kong, Taiwan and Macau) and seven international routes to key cities in Asia.
 - The Port of Fuzhou is one of the main hub ports along the coast of China, and has 128 berths. The Port of Fuzhou has direct trade with over 40 international ports. Fuzhou has seven planned railway lines.²
- **Communication infrastructure:** By the end of 2012, Fuzhou had 1.98 million fixed-line users and 8.813 million mobile phone subscribers, as well as 1.912 million 3G subscribers and 1.725 million broadband subscribers.²

Human resources

- **Education:** In 2012, Fuzhou had 32 general universities, with a combined student population of 305,400, a student intake of 93,000, a graduate population of 18,400 and a graduate intake of 9,800.²
- **Scientific research:** In 2012, Fuzhou had 317 high-tech enterprises and 188 enterprise technical centres at the municipal level and above, including three national-level business technical centres and 67 provincial-level business technical centres. Fuzhou also had 38 industrial technical creation centres covering most of the key industries, including four experimental national innovation enterprises, three national innovation enterprises and 170 provincial innovation enterprises.²
- **Training:** Fuzhou University and Fuzhou Software Park jointly established an international software talent cultivation base that can accommodate more than 5,000 students.³

Quality of living

- **Economic level:** In 2012, Fuzhou's GDP was RMB 421.829 billion, an increase of 12.1 percent from 2011. Its annual urban per capita disposable income and annual urban per capita consumption expenditure reached RMB 29,399 with an increase of 12.9 percent and RMB 20,040 with an increase of 12.3 percent over 2011 respectively. The average annual salary of full-time employees was RMB 41,725.²
- **Natural environment:** In 2012, there was 89.21km² of urban green space in Fuzhou, covering 37.15 percent of city space. Green coverage reached 97.50km² or 40.6 percent. By the end of 2012, Fuzhou had 63 parks covering 25.44km² and per capita public green area reached 11.3m². The good air quality rate reached 99.45 percent.²
- **Hotels:** In 2012, Fuzhou had 60 star-rated hotels, including five 5-star hotels.²

¹ China Statistical Yearbook 2012, www.stats.gov.cn; Fuzhou 2012 National Economic and Social Development Statistics Bulletin, tjj.fuzhou.gov.cn

² Fuzhou National Economic and Social Development Statistics Bulletin, tjj.fuzhou.gov.cn

³ ChinaSourcing, <http://chinasourcing.mofcom.gov.cn>

⁴ Fuzhou Software Park, www.fzsp.com

Guangzhou

City profile

- Guangzhou is the capital city of Guangdong province.

- Guangzhou is the political, economic, scientific, technical, educational and cultural centre of Guangdong province.

It is also the economic core of the Pearl River Delta.



Overview¹

Geographical location: Guangzhou is located in the south of Guangdong province, and is part of the Pearl River Delta.

Climate: Subtropical monsoon climate
Annual average temperature: 21.4°C (2011)
Annual average rainfall: 1,632.3mm (2011)

Population: 12,751,400 (2011)

Key industries: Automotive Manufacturing, Petrochemical Manufacturing, Electronics and IT, Biomedicine, Real Estate

Service outsourcing

Key service outsourcing providers (outsourced services)

Samsung Research Institute (KPO services)	IBM (IT services)
TWO Group (IT services)	Sierra Atlantic (Software development outsourcing, IT services)
HSBC Software (IT services)	Guangdong Visonky (IT services)
PCCW (IT services)	HDPG (BPO services)
China Elite Info (BPO services)	Accenture (IT Services)

Key shared service centres (captive)

MOL (Shared service centre)	Marriott (Shared service centre)
Dongya (Shared service centre)	

Key research & development centres

Honda (Vehicle development centre)	Samsung (Development centre)
Ericsson (Development centre)	Restmoment Electron Co., Ltd (Development centre)
Jinchan Software (Mobile digital publishing development centre)	

Key financial back-office service centres

American International Group (Financial back-office service centre)	HSBC (Financial back-office service centre)
AIA Group (Financial back-office service centre)	BEA (Financial back-office service centre)
Bank of Communications (Financial back-office service centre)	Citibank (Supporting service centre)

Source: Guangzhou Foreign Economic and Trade Cooperation Institution; respective company websites; www.sohu.com

Some of the main contributing factors for Guangzhou becoming a favoured service outsourcing destination

- Guangzhou is one of the 21 State Council-approved Service Outsourcing Model Cities in China.
- According to the *Plan Outline for the Development and Reformation of the Pearl River Delta* (2008–2020), Guangzhou is strategically positioned as a national Tier 1 city, a comprehensive gateway city, and an international metropolis by the State Council.²
- In 2012, there were 1,095 new direct investment projects in Guangzhou, a decrease of 3.4 percent from 2011, while the total investment amount of USD 6.802 billion increased by 0.8 percent from 2011. The actual use of foreign invested capital amounted to USD 4.575 billion, a 7.1 percent increase from 2011.
- In 2012, the service industry accounted for 63.59 percent of Guangzhou's GDP. The import and export of service trade amounted to over USD 40 billion, which was an increase of 60 percent, growing from 1/17 of China's total in 2011 to 1/12 in 2012. There are 232 Fortune 500 companies which have settled in Guangzhou and which are involved in 626 foreign investment projects, with total investment amounting to USD 41.26 billion.
- Guangzhou is close to Hong Kong and Macau, and is at the centre of the South-east Asian economic zone. Guangzhou has set up software cooperation centres in Hong Kong, the US and Japan, and has signed a software cooperation agreement with Hong Kong.

Present state of the service trade sector

- The service trade sector in Guangzhou had an annual increase of 32.68 percent from 2004–2012, an increase of 8.6 times over the eight years.

Present state of the service outsourcing sector

- Guangzhou's outsourcing service industries cover the following: System Software Design, Data Processing, System Applications, Basic Technology Services, Company Operations Management Systems, Supply Chain Management and Animation Design.
- In 2012, Guangzhou's service outsourcing contracts amounted USD 4.962 billion, an increase of 43.24 percent, with an executed contract amount of USD 2.841 billion, an increase of 40.57 percent. Of this, the signed contract value of Guangzhou's offshore outsourcing services was USD 2.985 million, a year-on-year increase of 52.07 percent; while the executed contract value was USD 2.045 million, a year-on-year increase of 41.11 percent. Guangzhou's service outsourcing industry was ranked first in Southern China at the end of 2012.

- According to contract registrations in Guangzhou, the contract value of BPO was USD 842 million, accounting for 28.21 percent of the total value. The contract value of ITO and KPO services was USD 717 million and USD 1.425 billion, accounting for 24.02 percent and 47.74 percent respectively.

Related incentives for service outsourcing

- **Government policies:** The Guangzhou Municipality issued a series of policies including the *Opinions of the Guangzhou Municipal Government Concerning Expediting the Development of the Outsourcing Industry* (March 2008), *Management Measures for the Guangzhou Model Area of China Outsourcing Services* (April 2008) and the *Opinions of the Guangzhou Municipal Government Concerning Expediting the Development of the Modern Service Industry* (June 2008). The Guangzhou Municipality has set up a special fund to: 1) encourage foreign outsourcing service enterprises to invest in China; 2) support local businesses to develop global outsourcing services, global marketing, R&D projects, talent training and international certification; 3) boost IP protection; 4) help start-up companies set up and rent facilities; and 5) provide incentives for outsourcing talent.
- **Industrial park policies:**
 - The Guangzhou Economic and Technology Development Zone offers preferential policies on enterprise introduction, business development, public service platform building, talent training, certification support and office rentals.
 - Nansha Economic and Technology Development Zone provides support on operation funds, international certification, market development, talent training and public service platform building.
 - Tianhe Software Service Park and Huanghuagang Science and Technology Park offer rewards to high-end talent in the parks.
- **Intellectual property policies:** In recent years, the Guangzhou Municipal Government successively issued intellectual property policies including *Opinions on Promoting the Protection of Outsourcing Service Intellectual Property* (July 2012) and *Implementation of Information Security Protection for Guangzhou's Outsourcing Service Enterprises* (April 2012).

Development targets for service outsourcing

- At the end of 2012, Guangzhou's service outsourcing contract amounted to USD 3.8 billion, including USD 1.8 billion for offshore outsourcing service, with an increase of 100 percent from 2010.
- By 2015, it is expected that the service outsourcing contract will generate total revenue of USD 7.5 billion, including USD 4 billion for offshore outsourcing service, four times the amount in 2010.
- By 2020, the service outsourcing average annual growth rate is expected to reach 35 percent.

Infrastructure

- **Office parks:** There are four service outsourcing model zones in Guangzhou: Guangzhou Economic and Technology Development Zone, Nansha Economic and Technology Development Zone, Tianhe Software Service Park, and Huanghuagang Science and Technology Park. An area of 65km² is planned for Guangzhou Economic and Technology Development Zone, while it is intended that Nansha Economic and Technology Development Zone and Tianhe Software Service Park will cover 39km² and 12.4km² respectively. The Huanghuagang Science and Technology Park has an area of 1km².

Domestic and international traffic :

- The Guangzhou highways connect over 97 percent of the counties, cities and towns in Guangdong province, and link with the highway network of neighbouring provinces. In 2011, there was 7,072km of highways.
- Main railways through the city include the double tracks of the Jingguang, Guangmao, Guangmeishan and Guangshen lines.
- Guangzhou Baiyun International Airport has 165 regular flights to major cities, including 46 international routes and three regional routes.³
- Guangzhou Harbour is a large, multi-purpose port in Southern China, delivering freight to over 500 ports in more than 170 countries globally.
- Guangzhou has also built nine metro lines.
- **Communication infrastructure:** By the end of 2012, Guangzhou had 5.7684 million fixed-line users and 30.4 million mobile phones users, as well as 6.452 million broadband subscribers.⁴

Human resources

- **Education:** In 2012, Guangzhou had 79 tertiary institutions, with a combined student intake of 289,500, a student population of 939,200, and 236,900 postgraduates. There were also 27 postgraduate institutes with a combined student intake of 25,000, a student population of 73,100, and 20,800 graduates. The average monthly salary for graduates in 2012 amounted to RMB 3,565; for postgraduates, it was RMB 5,188.
- **Scientific research:** In 2012, Guangzhou had 17 academicians from the Chinese Academy of Sciences and 18 academicians from the Chinese Academy of Engineering. Guangzhou also had 15 national engineering centres, with seven national engineering development centres and eight national engineering technology centres. There were nine National Laboratories, 112 provincial-level engineering technology research centres and 181 city-level engineering technology research centres. There were also six national and provincial university science parks.
- **Training:** Guangzhou has identified eight software talent training centres, including Sun Yat-sen University.

Quality of living

- **Economic level:** In 2012, Guangzhou's GDP was RMB 1.355 trillion, an increase of 10.5 percent from 2011. Urban annual per capita disposable income and urban annual per capita consumption expenditure reached RMB 38,054 with an increase of 11.4 percent and RMB 30,490 with an increase of 9.8 percent from 2011 respectively. Employees from state and publicly owned companies in Guangzhou had an average annual salary of RMB 57,473.
- **Natural environment:** In 2012, Guangzhou had a green area rate of 35.6 percent and green coverage of 40.5 percent, and per capita public green area reached 15.5m². There were 237 city parks and 2,174km of streets with green coverage.
- **Hotels:** By the end of April 2012, Guangzhou had 20 five-star hotels.

¹ National Bureau of Statistics of China, 'China Statistical Yearbook 2012', www.stats.gov.cn, Guangzhou 2012 National Economic and Social Development Statistics Bulletin, www.gdstats.gov.cn

² Guangzhou Foreign Economic and Trade Development and Research Reports (2012–2013), finance.china.com.cn

³ Guangdong Airport Authority, 'Guangzhou Baiyun International Airport', www.baiyunairport.com

⁴ 2012 Guangzhou Statistical Information Brochure, www.gzstats.gov.cn

Hong Kong

City Profile

- Hong Kong is one of two special administrative regions in China.
- Hong Kong is on China's south coast and is known for its extensive skyline and natural deep-water harbour.
- Hong Kong is a well-known international metropolis, and is recognised for its freedom of economic and financial competitiveness, quality of life, and its extremely low tolerance for corruption, among other aspects.

Overview^{1,2}

Geographical location: Located on China's south coast and surrounded by the South China Sea, Hong Kong is located 60km east of Macau, opposite to the Pearl River Delta, south of the Shenzhen River across from the city of Shenzhen, Guangdong province.

Climate: Humid subtropical climate
Annual average temperature: 23.4°C (2012)
Annual average rainfall: 1,924.7mm (2012)

Population: 7,173,900 (2012)

Key industries: Financial Services, Trade and Logistics, Tourism, Professional Film Production Services, Cultural and Creative Industries, Medical Services, Education Services, Innovation and Technology, Testing and Certification Services, Environmental Production Industries

Service outsourcing

Key service outsourcing providers (outsourced services)

IBM (ITO services)	HKNet (IT services)
HCL Offshore Development Centre (Production support, business intelligence, e-commerce)	EPRO Systems Limited (IT development outsourcing)
NETsolutions Asia (ITO and IT technical support services)	NEC Hong Kong Limited (ITO, BPO and HRO services)
Atos (End-to-end IT services and solutions, data centres)	Sinosoft (International) Co. Ltd (ERP solutions for the Insurance, Financial, Government, Energy, Healthcare, News and Media sectors)

Key research & development centres

BYD Company Limited R&D Centre (Development of electric vehicles)	DuPont Apollo Global Thin Film Photovoltaic R&D Centre (Development of thin film photovoltaic modules)
Lanxess Asia Pacific Application Development Centre (Parts development)	Li Ning Sports Technology Development Centre (Enhancement of product characteristics, design and manufacturing technology)
Smart China Research (R&D in smart city-related technology)	Sensixa (HK) Ltd (Product research and development)

Source: Respective company websites

Some of the main contributing factors for Hong Kong becoming a favoured service outsourcing destination

- According to a survey conducted by InvestHK on overseas and mainland parent companies running regional and local operations in Hong Kong, the top three factors that attract these companies are:³
 1. The simple tax system and low tax rate: Hong Kong has one of the most tax-friendly economies. It only imposes three direct taxes: profits tax, payroll tax and property tax, and has generous allowances and deductions. The simplicity and convenience of the tax refund procedure also serves as an attraction in the business environment in Hong Kong.
 2. The freedom of information exchange: Hong Kong is committed to transparent, efficient and reliable information sharing. There are no restrictions on access to the internet and information on the government, and government services are available on the internet.
 3. The geographical location: Hong Kong is strategically located in the centre of Asia, with over 100 airlines offering flights to about 160 locations, operating roughly 900 daily flights between Hong Kong and the rest of the world. Hong Kong is also the gateway to mainland China, offering foreign companies easy access to China for business activities. It also has trade and geographical advantages.

Present state of the service trade sector

- In 2011, Hong Kong's service exports amounted to USD 706.1 billion, a 12.8 percent increase compared to the service export volume in 2010. The industries with the highest volume of service exports were Transportation, Tourism and Financial Services.²
- In terms of export destinations, mainland China and the US accounted for 33.1 percent and 16.7 percent respectively of the total value of service exports from Hong Kong.²

Present state of the service outsourcing sector

- Hong Kong received USD 1.47 billion in revenue from the IT sector in 2009, with USD 990.7 million coming from IT services and USD 486.5 million from software.
- Of all the services provided in Hong Kong, Software Design and Development accounted for 37 percent of the total revenue from the IT sector, while IT Consultancy and Application Support, as well as Maintenance accounted for 15 percent and 12 percent respectively.

Related incentives for service outsourcing

- **Retraining services for employees:** All eligible employees in Hong Kong aged 15 or above and with education levels of an associate degree or below can enrol in the Employees Retraining Board (ERB) training courses offered by the appointed training bodies. The employee retraining courses offer a wide range of training courses to employees in Hong Kong with special fund and subsidies.^{4,5}
- **Intellectual property:** Hong Kong enforces stringent IP protection and ranks 11th in the Global Competitiveness Report conducted by the World Economic Forum 2012–2013.⁶ The Intellectual Property Department is responsible for: advising the Secretary for Commerce and Economic Development on policies and legislation to protect intellectual property in Hong Kong; operating the Hong Kong SAR's Trade Marks, Patents, Registered Designs and Copyright Licensing Bodies Registries; and promoting intellectual property protection through public education. The government also offers the Patent Application Grant, all applications for functional patents and inventions that have technological elements are eligible for financial support.⁷

Development targets for service outsourcing

- The development of the IT-BPO industry is important for Hong Kong to retain its position as a global centre for business. Realising this, the government has announced its vision of making Hong Kong a leading digital city by setting out the Digital 21 Strategy. The state authorities can also play a key role in transforming the Pearl River Delta to become an exporter of software, digital content and services, as well as traditional manufactured goods.
- It is predicted that by 2020, the IT-BPO industry in Hong Kong could grow to USD 3.1 billion.

Infrastructure

- **Office parks:** Hong Kong has set up world-class technological infrastructure and facilities to help nurture the development of technology-intensive clusters, including the Hong Kong Applied Science and Technology Research Institute, Cyberport, and the Hong Kong Science & Technology Parks. Occupancy in Phases I & II of the Hong Kong Science & Technology Park located in Tai Po has reached 95 percent, with a total of 430 technology companies located in the park and over 6,500 people participating in R&D-related activities.^{8,10}
- **Local and international public transport:**
 - In Hong Kong, 90 percent of the 11.5 million daily commuter trips are on commercially operated buses, trams, trains, subways and ferries, and the public transport fares are low, often costing less than USD 1 per journey.³
 - Hong Kong International Airport operates the busiest international cargo facilities and is deemed to be one of the world's best international airports. It is also the third busiest in the world by number of international passengers. Flights are available to more than 160 cities, including to 45 destinations in mainland China, with popular destinations often served by multiple daily flights for business travellers.³
- **Telecom infrastructure:** Hong Kong's mobile subscriber penetration rate exceeded 230 percent in 2013. The household broadband penetration rate was 86 percent in 2013, and the government and the private sector had installed 18,880 wireless hotspots as at March 2013.¹⁰ Hong Kong's average peak internet connection speed is the fastest worldwide at 57.5Mbps, and the average internet connection speed is also among the fastest in the world.⁹

Human Resources

- **Education:** Three of Hong Kong's universities are in the world's top 50 universities, while five are in the top 200. In the 2011–2012 school year, Hong Kong had 58,412 students enrolled at university and 17,630 graduates, while 10,258 postgraduate students were enrolled and 4,089 postgraduate students graduated in that period.¹¹
- **Language:** According to a survey conducted by Hong Kong's Census and Statistics Department in 2012, 23.7 percent of a total of 5,615,100 inhabitants aged from 6 to 65 considered their spoken English competence to be 'very good' or 'good', while 36.9 percent said their English level was 'average'.²

Quality of living

- **Economic status:** In 2012, Hong Kong's GDP reached HKD 2,041 billion, a 5.5 percent increase compared to 2011, while the average monthly salary was HKD 13,437. According to the 2009–2010 Household Expenditure Survey, the average monthly household expenditure was HKD 21,623, mostly for housing and food.²
- **Natural environment:** According to the Report of the Task Force on Tree Management performed by the Greening, Landscape and Tree Management Section in 2009, about 67 percent of Hong Kong's 1,100km² is open countryside. The government has been spending an average of about HKD 200 million annually on greening work, planting about 10 million new trees, shrubs and seasonal flowers each year.¹²
- **Hotels:** Hong Kong has some of the most extravagant hotels in the world, as well as budget accommodation options, with a whole gamut of quality and price ranges in between. There are over 500 hotels in Hong Kong, of which more than 100 are rated four-stars or above.

¹ Hong Kong Observatory, www.hko.gov.hk

² Hong Kong Census and Statistics Department, www.censtatd.gov.hk

³ InvestHK, www.investhk.gov.hk

⁴ Employees Retraining Board, www.erb.org

⁵ Student Financial Assistance Agency, www.sfaa.gov.hk

⁶ World Economic Forum, www.weforum.org

⁷ Intellectual Property Department, www.ipd.gov.hk

⁸ Hong Kong Science and Technology Parks, www.hkstp.org

⁹ Digital 21 Strategy, www.digital21.gov.hk

¹⁰ Office of the Government Chief Information Officer, www.ogcio.gov.hk

¹¹ University Grants Committee, www.ugc.edu.hk

¹² Development Bureau, www.devb.gov.hk

Shenzhen

City Profile

- Shenzhen is one of China's Special Economic Zones.
- Shenzhen is one of the important high-tech R&D and manufacturing bases in Southern China.



Overview¹

Geographical location: Shenzhen is located in the south of Guangdong province, east of Dapeng Bay and immediately north of Hong Kong.

Climate: Subtropical oceanic climate
Annual average temperature: 22.6°C (2011)
Annual average rainfall: 1,269.7mm (2011)

Population: 10,547,400 (2012)

Key industries: High-tech, Logistics, Finance, Culture

Service outsourcing

Key service outsourcing providers (outsourced services)

IBM (IT services)	Kingdee (IT services)
Huawei (IT services)	ZTE (IT services)
Freeborders (Software development outsourcing)	BroadenGate (ITO services)
VancelInfo (BPO services)	ChinaSoft International (ITO services)
State Microelectronics (ITO services)	Eternal Asia (BPO services)

Key shared service centres (captive)

China Taiping Insurance Group (Shared service centre)	DHL (International express shared service centre)
Huawei (HR shared service centre)	

Key research & development centres

Bank of Communications R&D Centre (Development and building of new-generation information systems used at home and abroad)	Hisense Shenzhen R&D Centre (Development, tracking and storing of digital TV and related network products; collection of cutting-edge technology and information; and development of new products such as digital videos)
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Source: Respective company websites

Some of the main contributing factors for Shenzhen becoming a favoured service outsourcing destination

- Shenzhen is one of China's 21 State Council-approved Service Outsourcing Model Cities.
- In 2012, newly signed foreign direct invested projects totalled 2,428, a decrease of 3.4 percent compared to 2011, while the contractual value was USD 6.26 billion, decreasing by 18.0 percent compared to 2011. The actual use of foreign direct investment was USD 5.23 billion, increasing by 13.7 percent from 2011.⁴ In 2011, a total of 164 Fortune 500 companies had invested in Shenzhen.⁵
- Shenzhen has established two outsourcing model zones – Shenzhen Software Park and Majialong Industrial Zone. Established in September 1996, the Shenzhen High-tech Industry Park developed several industrial clusters, including Communication, Computers, Software and Pharmaceuticals.⁶

Present state of the service trade sector

- Statistics from the Shenzhen Administration of Foreign Exchange indicate that Shenzhen's service import and export trade volume exceeded USD 50 billion in 2011, accounting for 11 percent of total trade volume in Shenzhen.²
- In August 2010, the *Overall Development Plan of the Qianhai-Shenzhen-Hong Kong Modern Service Industry Cooperation Zone* was approved by the State Council, indicating that this zone has a planned area of 15km² up until 2020. By 2020, it is anticipated that the zone will have built a well-equipped, world-class modern service cooperation zone which attracts world-class enterprises.³

Present state of the service outsourcing sector

- Service outsourcing in Shenzhen mainly consists of Software Outsourcing and IT Technology Services, Finance, Telecommunications, Logistics, Industrial Design, IC Design, and Animation and Creative Design.⁷
- In 2010, Shenzhen Software Park accommodated over 750 enterprises, with software and information services amounting to RMB 86.8 billion, which accounted for 60 percent of the city's total. By 2010, Shenzhen Software Park had nine enterprises on the Top 100 Largest Enterprises in the Chinese Software Industry list, accounting for 42 percent of the total revenue of China's top 100 software enterprises; 21 enterprises were certified with the highest level of national computer system integration; and 29 software and information service outsourcing companies were listed on both domestic and overseas stock markets. Shenzhen Software Park has formed a group that is engaged in software and modern information service outsourcing, and includes IBM,

Oracle, Microsoft, HP, Achievo, Freeborders, ChinaSoft, HGC, Computer and Technologies Solutions Limited, Cathay Pacific, BroadenGate, Excel Software, Lianfa, Sunplus, Silicon Application Corporation, and ELAN Microelectronics.⁸

- In 2011, there were over 500 service outsourcing enterprises in Shenzhen with over 180 offshore service outsourcing providers. In 2011, the executed contract value of Shenzhen's offshore outsourcing services was USD 1.34 billion, with a year-on-year increase of 18.71 percent.⁹
- In 2011, Shenzhen's global delivery capabilities were greatly enhanced, with an increasing number of enterprises attaining global quality certifications. Seven enterprises were certificated with CMM/CMMI5.⁹

Related incentives for service outsourcing

- **Government policies:** *Promoting the Development of Software and the Modern Information Service Industry Programme* (2011, No. 182) aims to initially establish a modern information services industrial group with a complete industrial chain, dense concentration, and core technologies and software. This is to further strengthen Shenzhen's leading position in China's Software and Information Services industry, and to become an important driver in enhancing the industry restructuring and economic growth transformation.⁷
- **Industrial park policies:** Policies set out in the *Regulations of the Shenzhen High-tech Industrial Zone* (May 2001) include: 1) the establishment of a high-tech park to provide funding support for Chinese students who have studied abroad and who are now doing business in Shenzhen; 2) financial support for technology innovation enterprises or activities; and 3) guarantees for financing arrangements for small and medium-sized enterprises.⁷
- **Intellectual property policies:** To actively promote the construction of a national innovative city and to speed up the transformation from "Shenzhen Speed" to "Shenzhen Quality," the Shenzhen Municipal Government issued *Decision on Improving the Regional Innovation System and Promoting Sustained and Rapid Development of the High-Tech Industry* (Shenzhen [2004] No. 1) and *Implementation Opinions on Carrying out 'CPC Central Committee of Guangdong and People's Government of Guangdong Province's Decision on Accelerating the Construction of a Strong Province of Science'* (Shenzhen [2004] No. 7).⁷

Development targets for service outsourcing

- By 2015, it is anticipated that:
 - Shenzhen's service outsourcing aggregate turnover will reach RMB 60 billion and its offshore service outsourcing contract executed amount will reach USD 3.5 billion.
 - The scale of software outsourcing services will reach RMB 32 billion, while the scale of financial outsourcing services (excluding financial software service) is expected to grow to RMB 4 billion. The goal for supply chain management service outsourcing is to reach RMB 8.5 billion; while product research and development and industrial design is expected to reach RMB 10 billion.
 - There will be more than 300 international outsourcing service enterprises, including more than 35 enterprises with over 1,000 employees each and international service outsourcing revenue of over USD 10 million each. Shenzhen will support the service outsourcing enterprises to obtain international certifications and will take advantage of the international market, with the aim of having 10 enterprises certified with CMM/CMMI5 by 2015.

- There will be over 200,000 employees, with over 150,000 trained employees in the Shenzhen Outsourcing Service industry.⁹

Infrastructure

- **Office parks:** Shenzhen has many industrial parks, including Shenzhen Bonded Zone, Shenzhen High-tech Industrial Zone, Shenzhen Export Processing Zone, Shekou Industrial Zone and Huaqiao City Development Zone. Shenzhen High-Tech Industrial Zone covers 11.5km².⁷
- **Domestic and international traffic:**
 - Shenzhen's highways and expressways connect across the Pearl River Delta. The total length of highways is over 1,400km and the total length of expressways is over 200km.
 - In terms of railways, Shenzhen is the cross-point of the Beijing-Guangzhou line and the Beijing-Kowloon line, and operates long-distance trains to Beijing, Zhengzhou, Hefei, Wuhan, Changsha and Hong Kong.
 - In 2012, Shenzhen Bao'an International Airport had 131 domestic routes and 17 international routes.
 - The Port of Shenzhen had 197 international container shipping routes.⁴
- **Communication infrastructure:** At the end of 2012, Shenzhen had 5,513,500 fixed-line telephone users, 25,706,000 mobile phone users and 3,043,500 internet broadband users.⁴

Human Resources

- **Education:** In 2012, Shenzhen had 10 general universities, with a combined student intake of 25,800, a student population of 75,600, and 18,300 postgraduates.⁴ The average monthly salary for graduates in 2010 was RMB 2,557, while it was RMB 3,581 for postgraduates.¹⁰
- **Scientific research:** In 2012, the number of technical personnel in Shenzhen reached 1,156,600, a 6.3 percent increase compared to 2011.⁴
- **Training:** Shenzhen Software Park has cooperated with Zensar, IBM and Hitachi Systems to implement outsourcing talent training programmes.⁷

Quality of living

- **Economic status:** In 2012, the city's GDP was RMB 1.295 trillion, a 10 percent increase compared to 2011. Annual per capita disposable income for urban residents was RMB 40,741.88, an increase of 11 percent from 2011.⁴ In 2011, the average annual salary for full-time employees was RMB 55,142.2.¹¹
- **Natural environment:** In 2012, the green coverage in Shenzhen was 45.1 percent.⁴ In 2011, there were 362 days with good air quality.⁵
- **Hotels:** In 2011, Shenzhen had 140 star-rated hotels, including 11 five-star hotels.¹²

¹ 2012 Shenzhen Statistical Yearbook, www.chinayearbook.com/tongji/; Shenzhen 2012 statistical bulletin for national economic and social development, http://szsb.sznews.com/html/2013-04/10/content_2437462.htm

² Shenzhen Daily, http://sztqb.sznews.com/html/2013-07/26/node_1122.htm

³ Shenzhen Net, <http://www.sz.net.cn/>

⁴ Shenzhen Daily, 'Shenzhen 2012 National Economic and Social Development Statistics Bulletin', http://szsb.sznews.com/html/2013-04/10/content_2437462.htm

⁵ Chinayearbook, 'Shenzhen Statistical Yearbook 2012', www.chinayearbook.com/tongji/

⁶ Shenzhen Software Park – Service Outsourcing, www.szsoftwarepark.com/outside/

⁷ Shenzhen Software Park – Software and Service Outsourcing Information Service Platform, www.szsoftwarepark.com/softsite/index.aspx

⁸ Shenzhen Software Park, www.szsoftwarepark.com

⁹ Economy, Trade and Information Commission of Shenzhen Municipality, '2012–2015 Shenzhen Service Outsourcing Industry Development Programme', www.szjmxw.gov.cn

¹⁰ Adfaith Business Data Centre, www.adfaith.com

¹¹ Chinayearbook, 'China Statistical Yearbook 2012', www.chinayearbook.com/tongji/

¹² Shenzhen Travel, www.shenzhentour.com

Xiamen

City Profile

- Xiamen is one of China's Special Economic Zones.
- Xiamen is one of China's major international tourist cities, as well as one of its key international ports in terms of attracting business and as a trade connection with Taiwan.



Overview¹

Geographical location: Xiamen is located on the coast, in the south-east of Fujian province, on the west bank of the Taiwan Strait across from Taiwan.

Climate: Subtropical climate
Annual average temperature: 20.8°C (2011)
Annual average rainfall: 916.7mm (2011)

Population: 3,670,000 (2012)

Key industries: Electronics, Machinery, Automobiles, Optoelectronics

Service outsourcing

Key service outsourcing providers (outsourced services)

Dell (IT services)	Anheuser-Busch InBev (BPO services)
eHealth China (Financial services outsourcing)	Yamaha Motor Solutions (Software development outsourcing)
Gillion Technologies Ltd (IT services)	Yealink (Communications outsourcing)
ICSS-Haisheng (SDO)	Xiamen Dragon Software Engineering Co., Ltd (SDO)
Chang Hang Software (SDO, IT services)	Taikoo (Xiamen) Aircraft Engineering Co. Ltd (Aircraft maintenance)

Key shared service centres (captive)

Anheuser-Busch InBev (Shared service centre)	State Intellectual Property Office (Local patent information service centre)
ABB (Shared service centre)	

Key research & development centres

JTEKT (Steering system R&D centre)	Guangdong Dynavolt Power Technology Co., Ltd (R&D centre)
Jabra (R&D centre)	China Construction Bank (IT management R&D centre)
Nestlé (Instant beverage R&D centre)	Epistar Corporation & Leedarsen Lighting (R&D centre)

Source: Respective company websites

Some of the main contributing factors for Xiamen becoming a favoured service outsourcing destination

- Xiamen is one of the 21 State Council-approved Service Outsourcing Model Cities across the nation.
- Xiamen Software Park has been named a National Torch Plan Software Industry Base, 'State-level International Manpower Training Base (Xiamen) for Software and Integrated Circuits Design', and a State-level Animation Industry Base.³ Respective public technology service platforms for IC design, digital media, software and the Cisco TelePresence System are in operation.
- In 2012, Xiamen signed 331 new contracts for foreign investment projects, and had a contractual foreign investment amount of USD 2.25 billion, up 0.4 percent from 2011. The actual utilised foreign capital was USD 1.774 billion, up 2.8 percent compared to 2011.
- Throughout 2012, 84 projects each valued at USD 10 million and above were introduced, and the total contracted foreign investment amount was USD 1.91 billion, an increase of 12 percent over 2011. Of this, there were 39 newly approved projects with contracted foreign investment of USD 1.21 billion, as well as 45 capital increase projects with contracted foreign investment of USD 695 million.
- By the end of 2012, 55 Fortune 500 companies were involved in 99 projects in the city, with a gross investment of USD 5.16 billion and an investment contract value of USD 2.59 billion.⁴
- In addition to its geographical proximity to Taiwan, Xiamen enjoys a language and cultural affinity with the area. Its trade with Taiwan is one of its competitive strengths.⁴

Present state of the service trade sector

- In 2011, the service trade aggregate value reached USD 6.32 billion and ranked 13th among all the provinces (including autonomous regions, municipalities and independent planning municipalities). Of this amount, the export value was USD 3.62 billion while the import value was USD 2.7 billion, ranking 11th and 15th among all the provinces respectively.²

Present state of the service outsourcing sector

- The following are the figures for the outsourcing sector in Xiamen in 2012:
 - Service outsourcing contracts amounted to USD 1.29 billion with a 32.09 percent annual increase, while the actual contract amount was USD 1.21 billion with a 33.79 percent annual increase. Of this, the offshore service outsourcing amount was USD 0.62 billion, with a 77.72 percent annual increase.

- The offshore executed contract value amounted to USD 0.49 billion, an increase of 57.13 percent.
- The onshore contract amount was USD 0.68 billion, an increase of 7.01 percent. The onshore executed contract value amounted to USD 0.71 billion, an increase of 21.33 percent.
- There were also 561 service outsourcing enterprises, 24 certified advanced technology service enterprises and 14 service outsourcing talent training (practice) bases. In addition, 17,000 talents were trained by various kinds of service outsourcing talent training institutions in 2012.
- In 2011, Xiamen introduced 30 outsourcing enterprises, including Dell Services (China) and RingCentral.
- In 2011, service trade income in foreign exchange reached USD 780 million, while foreign exchange expenditure reached USD 116,000.
- IT Service Outsourcing was the main business in Xiamen's Service Outsourcing industries, accounting for 61.04 percent of the total contract value in 2012. For overseas orders, the value of BPO accounted for 56.76 percent of the whole contract value, while almost all of the domestic orders involved IT outsourcing.⁵

Related incentives for service outsourcing

- **Government policies:** The Xiamen Municipal Government released the policies *Interim Measures of the Outsourcing Talents Scheme in Xiamen* (March 2013), the *Use of Service Outsourcing and the Public Service Platform Special Fund Interim Measures in Xiamen* (December 2011), and the *Certain Opinions on the Promotion of the Service Outsourcing Industry in Xiamen* (August 2010). The main points include: 1) funding support for outsourcing training agencies; 2) subsidies for companies with international certification; 3) subsidies for qualified employees for training support; and 4) subsidies for key companies participating in major international trade fairs.
- **Industrial park policies:** Xiamen Software Park offers preferential policies to resident enterprises, including: 1) low-cost R&D office premises; 2) tax reductions; 3) government incentives for the R&D, sale, promotion and export of animation and comic products; 4) subsidies for invention and innovation; and 5) support for finance certification fees for those software exporters with CMM certifications.
- **Intellectual property protection:** The government released regulations to protect the service outsourcing business including the *Patent Promotion and Protection Ordinance in Xiamen SEZ* (October 2011), *Patent Protection Ordinance in Fujian (June 2004)* and *Patent Protection Regulation Xiamen (June 2004)*.

Development targets for service outsourcing

- Xiamen aims to become a cross-strait cluster and the centre of outsourcing on the west coast, and eventually "gather intelligence on both sides to serve the global market". It intends to do this by:
 - further enlarging and strengthening its traditional strong areas
 - nurturing emerging specialty areas
 - promoting the coordinated development of onshore/offshore outsourcing services
 - improving the service outsourcing industry value chain and innovation.

Infrastructure

- **Office parks:** Xiamen has the Xiamen Torch High-tech Industrial Development Zone and Xiamen Software Park. Xiamen Software Park comprises an Incubator Base (Phase 1) and an Industry Base (Phase 2). The Incubator Base, Xiamen Software Park (Phase 2) and Guanyinshan International Business Operation Centre occupy a total gross floor area of 75,000m², 1,636,400m² and 1,384,000m² respectively.

Domestic and international traffic:

- In 2011, the length of the roads in operation reached 1,916.36km, with 128.04km of national roads (including highways).
- There are currently 35 airlines operating from the Xiamen Gaoqi International Airport – 21 domestic airlines and 14 international and regional airlines. In addition, there are 86 connected destination cities, including 65 mainland China cities and 21 international and regional cities. The flight routes from Xiamen Gaoqi International Airport to mainland China, Hong Kong and Macau, as well as to Southeast Asia, South Korea, Japan, the US and Europe, have made Xiamen an important regional aviation hub in Eastern China.
- Xiamen Harbour has 134 productive berths, including 58 berths exceeding 10 kilotons. It is ranked seventh among national coastal ports and is in the world's top 20. There are 183 container liner routes in the harbour, which includes 52 open sea routes, 33 offshore routes, 19 Hong Kong and Taiwan routes, 33 inner branch routes and 46 domestic trading routes, while there are 976 shipments of freight each month.⁶
- **Communication infrastructure:** By the end of 2012, Xiamen had 1,552,600 fixed-line users and 5,863,700 mobile phone users, as well as 1,285,700 broadband subscribers.⁴

Human Resources

- **Education:** In 2012, Xiamen had 17 general universities, with a student intake of 48,100, and a student population of 157,800.
- **Scientific research:**
 - In 2012, Xiamen had 772 high-tech enterprises, including 25 key high-tech enterprises in the National Torch Plan Industry Bases; 166 innovative enterprises with 14 meeting national standards; 12 technology enterprise incubators; 11 industrial technology innovative and strategic alliances; 83 engineering research centres; 139 enterprise technology centres; 37 key laboratories; 20 post-doctoral workstations; and 568 technology trade entities.
 - The authorities granted 7,477 patents in 2012, an increase of 36.3 percent over 2011.
 - Xiamen also boasts six industry bases across the areas of Audio-visual Communication, Tungsten Materials, Software, Semiconductor Lighting, Power and Electronics, and Biological and New Medicine.
- **Training:** Xiamen has more than 20 agencies including a state-designated International Manpower Training Base for Software and Integrated Circuit Design, a Microsoft Technology Centre, as well as ICSS-Haisheng and Wance Technology.

Quality of living

- **Economic level:** In 2012, Xiamen's GDP was RMB 281.71 billion, an increase of 12.1 percent over 2011. Its annual urban per capita disposable income was RMB 37,576, an increase of 11.9 percent. The annual urban per capita consumption expenditure reached RMB 24,922, up by 11.7 percent, while the average annual salary of full-time employees was RMB 46,098.⁴
- **Natural environment:** By the end of 2012, Xiamen had a per capita urban public green space of 20.03m² and a green area of 110.36km², with coverage of 41.7 percent. The percentage of days with good air quality was 100 percent.
- **Hotels:** In 2012, Xiamen had 76 star-rated hotels, including 15 five-star hotels.

¹ 2012 China Statistical Yearbook, www.stats.gov.cn; Xiamen 2012 statistical bulletin national economic and social development, www.stats-xm.gov.cn/tjzl/tjgb/
² People's Daily Online, www.people.com.cn
³ Xiamen Software Park, www.xmspk.gov.cn
⁴ Xiamen 2012 National Economic and Social Development Statistics Bulletin, www.stats-xm.gov.cn/tjzl/tjgb/
⁵ Xinmin, www.xinmin.cn
⁶ Xiamen Special Economic Zone Yearbook 2012, www.stats-xm.gov.cn/tjzl/tjsj/tqnj/



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Glossary

GDP	Gross Domestic Product
FDI	Foreign Direct Investment
CPI	Consumer Price Index
MNC	Multinational Corporation or Multinational Company
SSC	Shared Services Centre
SSO	Shared Services & Outsourcing
SDO	Software Development Outsourcing
DPO	Data Processing Outsourcing
ITO	Information Technology Outsourcing
HRO	Human Resources Outsourcing
BPO	Business Process Outsourcing
KPO	Knowledge Process Outsourcing
ERP	Enterprise Resource Planning
CMM	Capability Maturity Model
CMMI	Capability Maturity Model Integration
CMMI2	Capability Maturity Model Integration Level 2
CMMI3	Capability Maturity Model Integration Level 3
CMMI5	Capability Maturity Model Integration Level 5
PCMM	People Capability Maturity Model
IC Design	Integrated Circuit Design
IC Chip Design	Integrated Circuit Chip Design
ICT R&D	Information Communication Technology Research and Development
IC R&D	Integrated Circuit Design Research and Development
IDC Base	Internet Data Centre Base
IPR	Intellectual Property Rights
WOFE	Wholly Owned Foreign Enterprise
LCD	Liquid Crystal Display

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