

# Guangdong to help foreign firms

Chloe Lai in Guangzhou

Guangdong will set up a co-ordinating group to assist foreign investors in resolving land problems after the province saw 271 foreign-invested companies shut down or relocate in the first two months of this year, affecting some 406,000 employees.

Overseas companies investing at least US\$50 million in the export-reliant province will receive preferential treatment relating to acquisition of land.

A monthly government meeting which reviews ways to stimulate international trade also decided on Friday that it would convert old and vacant factories into modern manufacturing compounds to make the province more attractive to foreign direct investment.

"All indexes showed foreign investment in Guangdong dropped significantly in the first two months of this year; the scale of the slide is unprecedented," said Liang Yaowen, director-general of the Department of Foreign Trade and Economic Cooperation of Guangdong.

While acknowledging that the

gloomy trade figures were a result of the financial crisis, he said that by streamlining the process of getting access to land, the province would be more competitive for foreign investment as production costs and taxes increased.

Recessions in the United States, the European Union and Japan – the top three markets for Chinese-made consumer goods – cast a shadow on Guangdong's economy this year.

The province has already rolled out export-friendly measures and offered 2 billion yuan (HK\$2.27 billion) in funding this year to small and medium-sized enterprises to ensure stable growth in exports and imports after pessimistic trade figures were unveiled in January.

It shipped 23.6 per cent fewer products overseas, worth US\$24.2 billion, in January, a decline worse than the whole country's 17.5 per cent decline.

Imports in January plunged 42.1 per cent to US\$12.43 billion, following a 22.9 per cent decline in December, almost matching the country's 43.1 per cent drop.

The latest update shows that a

total of 200 foreign-invested factories closed and 20 suspended operations between January and February. Closures, suspensions and relocations affected 406,000 people.

Around 2,400 foreign-invested factories closed last year.

Foreign direct investment in the first two months also makes for a gloomy picture.

The number of new foreign-invested projects saw a year-on-year drop of 48.6 per cent with just 699 new project deals signed.

The total amount of foreign investment slipped 2.5 per cent.

However, Alberto Vettoretti, managing partner of business consulting firm Dezan Shira and Associates, said the initiatives would not be a tremendous boost to foreign investment in the province.

"The biggest obstacle to foreign direct investment is not about land, especially when land prices have dropped significantly in the past year," he said. "The most useful stimulation would be to give foreign companies [equal] treatment."

"There is discrimination against foreign companies."

## Declining trade

Guangdong figures for January and February, compared to the same period last year

Number of approved foreign direct investment projects	699 ▼48.6%
Total amount of foreign investment promised (US\$b)	1.61 ▼69.5%
Total amount of foreign investment (US\$b)	2.09 ▼2.5%

Guangzhou figures for January and February, compared to the same period last year

Total value of imports and exports (US\$b)	3.58 ▼27.48%
Total value of imports (US\$b)	1.2 ▼35.83%
Total value of exports (US\$b)	2.38 ▼22.4%

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