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Southwest China Economic Profile

Report Categories:

Agricultural Situation

Agriculture in the Economy

Market Development Reports

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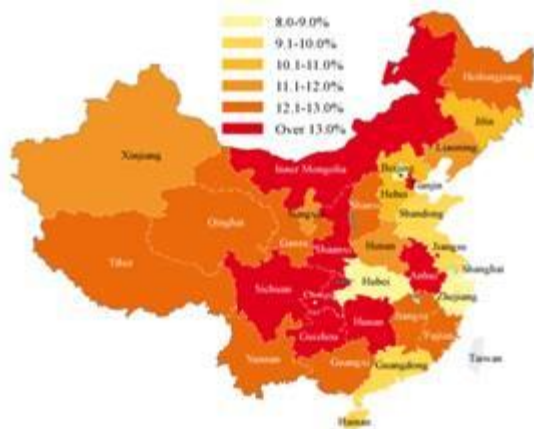
Jojo Shen and Zachary Ogle

Report Highlights:

ATO Chengdu covers Southwest China, which includes Chengdu and Chongqing - two of the top emerging city markets in China. The region has a population of 207 million, greater than that of Brazil, and a regional gross domestic product (GDP) of more than \$579 billion, higher than Switzerland or Taiwan. Reflecting China's "go west" goals and commitment to market development in China's interiors, growth for the regions' largest cities has been among the highest in the nation and forecasts for 2012 are that double digit growth will continue. Southwest China ranks among the highest GDP growth rates in the world, averaging 17 percent in 2011. Rising incomes are creating significant opportunities for U.S. exports in this emerging market.

Southwest China – Economic Situation

ATO Chengdu covers Southwest China, including the provinces of Sichuan, Yunnan, and Guizhou, the Chongqing Municipality and the Tibet Autonomous Region. With a population of 207 million and a regional gross domestic product (GDP) greater than \$579 billion, the area is larger than Brazil in population and GDP exceeds that of Switzerland or Taiwan. In general, the region is also known for its passion for food. Consumers are keen to try imported products and are willing to pay a premium for quality foods, making Southwest China a must-explore for any U.S. agricultural exporter.



2011 Provincial GDP Growth Rates

source: www.china-briefing.com

SW China Tourism Revenue (million in USD)				
Province	2008	2009	2010	2008-2010 Growth
Sichuan	214.98	289	354	64.67 %
Chongqing	449.77	537	703	56.30 %
Yunnan	1,007.55	1,172	1324	31.41 %
Guizhou	116.97	110	130	11.14 %
SW China	1,789.27	2,108	2,511	40.34 %

Source: 2009-2011 China Statistical Yearbook

Economic growth and increased incomes are fueling greater expenditure on food and beverage sales. Growth rates in regional GDP in the provinces of Southwest China are some of the highest in the country, averaging 17 percent in 2011 (for more information on China's provincial GDP growth rates, please see chart above or reference www.china-briefing.com). Growth in the region's two largest emerging city markets (ECMs), Chengdu and Chongqing, were 23 and 21 percent respectively in 2011. These two cities account for 21 percent of the region's population and 36 percent of the region's regional GDP. By targeting urban working households today, exporters gain exposure and experience necessary to stay relevant as incomes rise and consumer tastes evolve. Income and food expenditure are forecast to continue to grow at a significant pace. McKinsey (a global consulting firm that publishes business research and data on emerging markets quarterly) estimates that middle-income consumers now represent almost 35 percent of the urban population of China, and this figure is set to continue to rise rapidly.

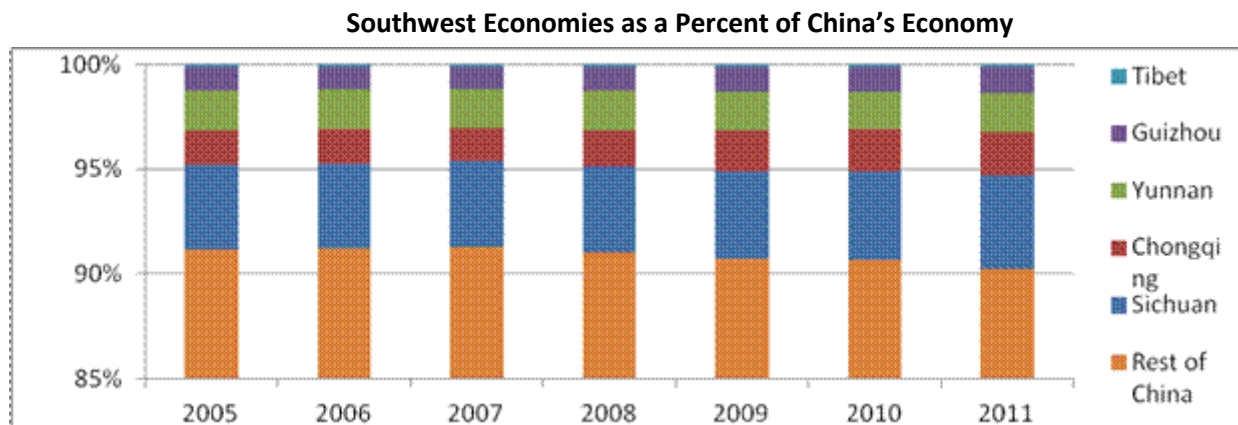
Rapid Growth in Value of Imports by Province (billion in USD)			
Region	2009	2010	2009 – 2010 Growth
Sichuan	99.94	138.93	39.01 %
Chongqing	36.03	48.35	34.18 %
Guizhou	11.99	14.43	20.35 %
Yunnan	37.78	52.25	38.30 %
SW China	185.74	253.97	36.85 %

Source: 2011 China Statistical Year Book

Tourism and foreign investment have led to increased interest in foreign food cultures and imported products. The number of foreign food establishments apart from upscale international hotels has increased, particularly in Chengdu. As incomes have increased consumers have become increasingly attentive to food safety and food nutrition. As their exposure to western foods has grown so too has their willingness to try new foods and purchase imported products.

Most encouragingly, the markets of Southwest China are less saturated with imports than the developed port cities to the East. This provides several advantages to marketing products in the region. Despite burgeoning demand, competition from foreign products is less intense, thus marketing dollars go further towards promoting western products than they do in the inundated markets of the East.

Southwest China Region Economic Info (2010)								
Provinces/Cities	Population (Million)	GDP (USD Billion)	GDP Growth	Per Capita GDP (USD)	Per Capita Disposable Income (USD)	Per Capita Disposable Income growth	Per Capita Expenditure on Food (USD)	Per Capita Expenditure on Food Growth
Sichuan	80.45	269.36	21.44 %	3348.17	2,423.38	16.27 %	749.15	8.83 %
Chongqing	28.85	124.23	21.37 %	4306.07	2,748.03	15.86 %	785.67	9.53%
Guizhou	34.79	72.13	17.62 %	2073.30	2,216.73	14.43 %	629.10	6.87 %
Yunnan	46.02	113.23	17.09 %	2460.45	2,517.95	15.91 %	719.98	2.98 %
Tibet	3.01	7.95	14.98 %	2641.20	2,348.04	10.60 %	759.80	5.80 %
SW China	193.12	578.95	18.50 %	2965.84	2,450.83	14.45 %	728.74	6.80 %
Source: China Statistical Yearbook 2011 \$1= 6.38 RMB								



Southwest Economies as a percent of China's Economy

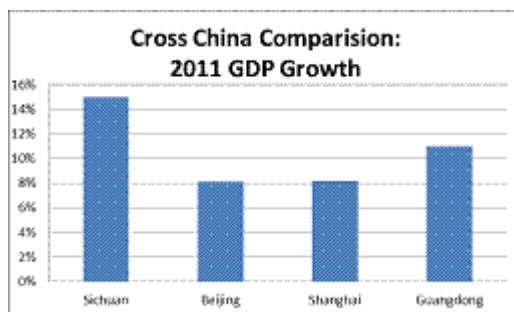
Agriculture in Southwest China

Agriculture plays an important economic role in Southwest China. Annual agricultural production averages \$91 billion USD in value and contributes around 28 percent of the region's total GDP. The region boasts a seeded area of 19 million hectares, or 15.7 percent of the national total. However, this figure includes multi-cropping and land is often double or even triple counted. The International Plant Nutrition Institute estimates the multi-

cropping estimate is 104.4 percent. Accounting for this we estimate there are about 4,346,100 hectares of cultivated land, accounting for 4.8 percent of total agricultural land in China. There is only 0.053 ha of farmland per person in the Southwest.

Sichuan

Sichuan, situated in Southwest China on the upper reaches of the Yangtze River, has a total area of 485,000 square kilometers. More importantly, the province is the nexus between central and western China, bordering Chongqing in the east, Shaanxi, Gansu and Qinghai in the north, Tibet in the west, and Yunnan and Guizhou in the south. As the province with the largest GDP in western China and the fourth largest population in all of China, the Sichuan market shows great potential. Since the implementation of the Western Development Strategy (“Go West!”) in 2000, Sichuan’s economy has grown consistently above the national average. The development strategy has led to improvements in infrastructure, an increase in environmental projects, development of Chengdu and Mianyang’s high-tech sectors, and private sector reforms that allow foreign companies better access to local markets.



Source: FCS “Sichuan at a Glance” [www.buyusa.gov/china.en](http://www.buyusa.gov/china/en)

Key Industries:

Agricultural	Non-Agricultural
Pork	Electronic and information technology
Citrus, vegetables, grains	Energy: coal and natural gas
Alcohol (bai jiu and wine), tobacco	Metallurgy: iron, steel, titanium, lithium, and vanadium
Wood and wood pulp	Bio-medical equipment
Raw hides, leather, furs	Automobile manufacturing
Oilseeds and silkworm cocoons	Aerospace



The Sichuan basin lies in the eastern portion of the province and mountainous regions surround it to the north and southwest. The plateau, with a series of mountains and gorges, occupies its western reaches. Left, you can see a shot of Mount Emei, nearby Chengdu. There are varieties of landforms, including plains (7.8 percent), hills (10.1 percent), plateaus or mountains (32.1 percent), mountainous regions (49.4 percent), water (0.6 percent). The agricultural land is mainly

distributed in the hilly basin region and on the Chengdu Plain. The province has complex and diverse climates. A subtropical monsoon climate in the basin features a warm winter and a long summer, while the mountainous areas of the southwest mountain have distinct wet and dry seasons. Relatively dry and cold, the northwest mountain plateau has long winter and no summer. The annual rainfall there is about 1,000 mm.

According to official Chinese statistics, in 2010 Sichuan's GDP ranked eighth in China and grew by 15.1 percent, an increase over the 11 and 14.5 (respectively) percent growth experienced during the two years prior. From January to September 2011, GDP rose 14.7 percent year-on-year and was 5.3 percent higher than the national average. Sichuan's GDP was expected to exceed 315 billion in 2011, and many individual Sichuan cities and prefectures will surpass 15.77 billion GDP for the first time. In addition, the Sichuan Government has rolled out a number of ambitious development projects. The 1,578 square kilometer "Tianfu New Area," slated for completion in 2030, aims to become "another Chengdu" and specialize in high-tech and high-end services, rivaling neighboring Chongqing's Liangjiang New Area.

With the high-tech and modern manufacturing industries driving industrialization, Sichuan has developed a relatively complete industrial system. Important industries include electronic information, pharmaceuticals, heavy manufacturing of machinery, and food and beverage. Industrial output is becoming more efficient and growing rapidly, accounting for 55.1 percent of economic growth. In 2010, large-scale industries realized net profit of 26.4 billion, an increase of 33.6 percent. The tourism industry, though relatively new, is gradually becoming a pillar industry in the province as well. In 2010 revenue generated by the tourist industry jumped over 64 percent to 354 million.

Infrastructure Impacting the Economy

Air transportation is relatively developed in Sichuan, with more than 200 domestic routes and over 30 international and regional routes connecting Europe, America, Australia, Southeast Asia and Northwest Asia. In 2011, more than 29 million passengers traveled through Shuangliu International Airport in Chengdu, making it the busiest airport in Western China. The airport in Chengdu is the nation's fifth largest passenger airport, after airports in Beijing, Shanghai, and Guangzhou. A second passenger terminal and new cargo terminal recently opened in 2012, increasing potential annual passenger throughput to 38 million persons and annual freight cargo capacity to increase to 700,000 tons. Apart from the Shuangliu International Airport in Chengdu, Sichuan also has nine smaller line airports in Jiuzhaigou-Huanglong, Xichang, Mianyang, Yibin, and other outlying cities.

Ground based forms of transportation are fast developing in Sichuan province as well. With 115,000 kilometers of highways and 1,788 kilometers of expressways as of 2011, Sichuan has the largest highway network in western China. The rail network in Sichuan includes 3,009 kilometers of track and includes lines connecting Chengdu with important destinations such as Chongqing, Dazhou, Baoji, Kunming, Nejiang, Suining, Xiangfan, Dazhou, and Wanzhou. In addition to developed rail and motor transportation, Sichuan boasts an extensive network of inland waterways totaling more than 10,000 kilometers. Major ports in this network include Luzhou, Yibin, Leshan, and Nanchong. The port of Luzhou is an especially promising container port that aims to challenge the dominance of the port in Chongqing. As Sichuan continues its efforts in improving infrastructure, its highway, railway, airway and modern communication networks will all undergo continual improvement.

In Chengdu, the first Metro Line has been operating for over 18 months and a second will be completed by September 2012. Work on the Mianyang-Chengdu-Emei inter-city express railway project will begin soon and is expected to further ease both passenger and cargo transit. With gradual increase of provincial land and sea accesses, the once difficult transportation situation in Sichuan will be fundamentally changed.

Increasing Ties in the Region

The implementation of a Closer Economic Partnership Arrangement between Sichuan, Hong Kong, and Macao has provided more favorable market access conditions for products of East China and China's southeast coastal areas in inland China. Within the Pan Pearl River Delta framework, Sichuan presents the largest domestic market for products from eastern coastal areas. Huge market potential and attractive market prospects call for increased attention from international and domestic manufacturers.

Chengdu at a Glance 2010 (USD)	
Province	Sichuan
Population	11.49 million
Land Area	12,130 km ²
Gross Domestic Product (GDP)	\$ 87.01 billion
GDP per capita	\$ 6,465.98
Per capita disposable income	\$ 3,265.73
Growth in per capita disposable income	16.22 percent
Tourism Revenue	\$ 9.47 billion
Hotel and Food Services Revenue	\$ 1.92 billion
Total Import	\$ 10.76 billion
Total Import from USA	\$ 2.98 billion
Total Export	\$ 13.87 billion
Total Export to USA	\$ 1.43billion
Source: Chengdu Statistical Yearbook 2011	

Chengdu

Chengdu, the capital of Sichuan Province, is a city of 14 million people vying with Chongqing to maintain the title of “economic powerhouse” in western China. Vice President Biden’s August 2011 visit to Chengdu, the highest-level U.S. official visit in 25 years, highlighted the increasingly important role of the city in promoting economic growth in parts of inland China that have lagged behind the coastal regions. Chengdu has benefited greatly from the government’s “Go West” strategy designed to stimulate growth in Western China. It is home to one of

China’s largest and most successful High-Tech Zones (HTZ), visited by Senate Majority Leader Harry Reid and several other Senators in April 2011. Many U.S. high-tech companies, including Intel, IBM, and Cisco, have set up operations in Chengdu.



Chengdu is the wealthiest and most advanced city in the region. It has the largest market for imported products in the HRI sector and the most developed retail sector, making it a prime target for U.S. agricultural

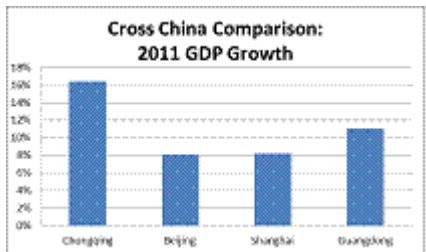
exports. Even though Chengdu accounts for only 14 percent of Sichuan’s population, it made up 32 percent of the province’s GDP in 2010. Its prosperity, high standard of living, and quality of life have given the city a reputation of being—as locals like to say—a place that is easy to move to but hard to leave. These same qualities offer exporters a market with a double-digit growth rate, increasing demand for imports, and less market saturation than the major coastal city markets. For more information on Chengdu as a market for U.S. agricultural products, please read our [Chengdu Emerging City Market Report](#).

Chongqing

Located on the edge of the Yungui Plateau, Chongqing lies at the confluence of the Jialing and Yangtze rivers. It borders Hubei and Hunan provinces to the east, Guizhou to the south, Sichuan to the west and north, and Shaanxi Province at its northeast corner. Chongqing has historically been a major port and an important channel for delivering goods from China’s Southwest to eastern coastal areas. One of only municipalities that are directly administered by the central government, Chongqing is southwestern China’s largest ground, water, and air transportation hub. The city serves as a major industrial center and is well endowed with a host of natural resources.



Under the central government’s Western Development Policy, Chongqing has also experienced double-digit growth every year since 1997, and is a major industrial and transportation center for southwest China. The approval of the Two Rivers New Area Economic Zone in 2010 further highlights the use of preferential policies to turn the upper Yangtze region into a manufacturing, investment, and logistics hub.



Source: FCS “Chongqing at a Glance” www.buyusa.gov/china/en

Key Industries in Chongqing:

Agricultural	Non-Agricultural
Oilseeds and cotton	Chemicals
Natural rubbers and related products	Automobiles/motorcycles
Fruits and products	Equipment manufacturing
Vegetables and products	Electronic and information technology
	Iron, steel, and aluminum

Chongqing at a Glance 2010 (USD)	
Province	Autonomy
Population	28.85 million
Land Area	82,400 km ²
Gross Domestic Product (GDP)	\$ 124.23 billion
GDP per capita	\$ 4,306.07
Per capita disposable income	\$ 2,748.03
Growth in per capita disposable income	15.86 percent
Tourism Revenue	\$ 14.48 billion
Hotel and Food Services Revenue	\$ 2.08 billion
Total Import	\$ 4.94 billion
Total Import from USA	\$ 670.29 million
Total Export	\$ 7.49 billion
Total Export to USA	\$ 1.05 billion
Source: Chongqing Statistical Yearbook 2011	

Infrastructure Impacting the Economy

Being the first and largest inland commercial port for western China, the city serves as a natural hub for ocean-borne imports to this region. Between 2003 and 2010, imports to the city from the United States nearly quintupled, growing from \$1.01 billion to \$4.94 billion. Chongqing's leading imports from the United States include agricultural products, oil equipment, aircraft parts, power plant generators, electronic devices, chemicals, medical equipment and manufacturing machinery.

After being granted direct control municipality status in 1997, and with the Central Government's focus on developing the west, Chongqing has undergone massive changes and intensive infrastructure construction. In 2010, the total local GDP reached USD \$124.23 billion, 21.3 percent higher than 2009. During the same period the per capita GDP increased 43.4 percent to \$4,306.

With over 2.1 million hectares of arable land, Chongqing has vast areas with large rural population and abundant agricultural resources. These agricultural resources are of great potential, and the municipality is a base of China's pork production. In 2010, the total output in agriculture, forestry, husbandry and fishing reached USD \$16.2 billion, up 11.8 percent from 2009.



Much of the rural area covered by Chongqing is made up of rivers and mountains. The Yangtze River runs from west to east, traveling a course of 665 kilometers. It cuts through the Wushan Mountains at three places that form the well-known Three Gorges Dam. The city itself is very mountainous. Built into the mountains and flanked by the Yangtze and Jialing rivers, Chongqing is alternatively known as the "mountain city" and the "city on rivers." With its special topographical features, Chongqing has a unique and magnificent range of scenery spanning mountains, rivers, forests, springs, waterfalls, gorges and caves. These

resources attracted over 161 million tourists in 2010, creating over USD \$14 billion in tourism-related revenue.

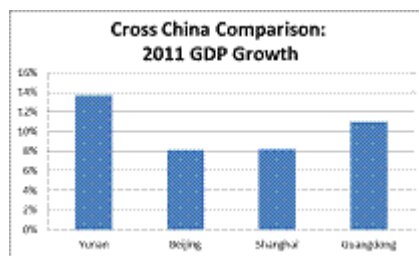
Chongqing's location on the upper reaches of the Yangtze River; make it a natural logistics hub and the most active commercial center in western China. The local consumable market is very influential in southwest China. Annual retail sales have grown in recent years, and in 2010 total retail sales of consumables reached USD \$46.6 billion up 18.5 percent over the previous year.

In 2007, the government of Chongqing announced a strategy for economic development. The plan splits the municipality into three areas, the "One-hour Economic Circle" surrounding the city center and the two wings of Northeast Chongqing and Southeast Chongqing. The One-Hour Economic Circle covers 23 of Chongqing's 40 districts and counties and in 2010 made up 78 percent of Chongqing's total GDP. The government plans to realize "overall well-being" in this area by 2015 and to triple the GDP of the region by 2020. This would bring GDP per capita over \$8,000. By the same year, the city is on track to have 22 million permanent, documented residents, with 80 percent living in urban areas. Following the development of the central area, the government will focus on bringing the less populated Northeast and Southeast wings to economic parity. For more information on Chongqing as a market for U.S. agricultural products, please read our [Chongqing Emerging City Market Report](#).



Yunnan

Yunnan province lies to the south of Sichuan. It has a total land area of 394,000 square kilometers and in 2010 claimed a population of 46 million. It shares borders with Tibet in the northwest, Burma in the west, Laos and Vietnam in the south, and Guangxi and Guizhou in the east. The province is a land of diversity. It includes the widest variety of plant life in China, large reserves of minerals, and an abundant water supply. Its wealth from these resources feeds its most important industries: tobacco, development of bio-resources, mining, tourism, and hydroelectric power. Also an important gateway to southeast China and East Asia, improved water and land transportation has served to connect it to the countries in the Mekong River area and has strengthened trade and co-operation in that region.



Source: FCS "Yunnan at a Glance" www.buyusa.gov/china/en

Key Industries in Yunnan:

Agricultural	Non-Agricultural
Tobacco	Biotechnology
Coffee	Environmental technology
Fruits, vegetables and grains	Hydro power
Medicinal plants and wild mushrooms	Mining (non-ferrous metals, steel, and coal)
Oils and spices	Tourism

Kunming

Known in China as the “Spring City” for its mild weather and abundant sunshine, Kunming is the capital of Yunnan province and one of four major cities in southwest China. Situated about 6,000 feet above sea level in the eastern part of Yunnan, Kunming is the largest city in the province and in 2010 counted a population of 6.4 million. Kunming’s unique combination of near-tropical latitude and high altitude gives it a mildly temperate climate which attracts thousands of expats and tourists and makes possible year-round agricultural production.



In 2010, the city realized a GDP of USD 33.5 billion, up 14 percent over the previous year. It accounted for approximately 34 percent of the province's total GDP and amounted to a GDP per capita of approximately \$5,317. The top industries in Kunming include: tobacco, metallurgy, mechanical and electronic integration, and pharmaceuticals. Combined, these industries are worth about \$6 billion, or 66.3 percent of the city’s GDP. (Photo left: Spring in Luoping County, Yunnan).

Source: <http://en.showchina.org>

The service industry accounts for about 49 percent of the city’s total GDP. Tourism has been an important part of this industry, and in 2010 more than 34.7 million domestic tourists passed through Kunming. Activities related to tourism generated \$4.5 billion in revenue, 25.8 percent growth over the previous year.

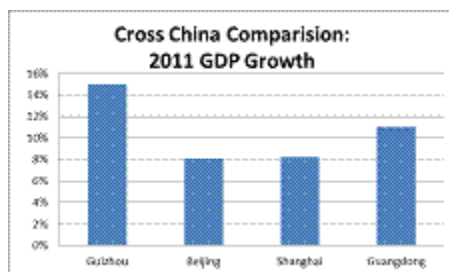
Foreign trade is also fast becoming an important part of the Kunming economy. It grew an astounding 79.4 percent in 2010, reaching over \$10 billion in value. The city's main export goods include non-ferrous metals, inorganic chemicals, chemical fertilizer, tobacco and tobacco products, and fruits and vegetables. Critical imports are metal ore, plastics, minerals, natural fertilizers, and industrial equipment. Chile, Vietnam, Myanmar

and Laos are important trading partners of the city. For more information on Kunming as a market for U.S. agricultural products, please read our [Kunming Emerging City Market Report](#).

Guizhou

Guizhou has a predominantly agriculture-based economy that has seen exceptional growth in recent years.

However, Guizhou remains the poorest province in terms of per capita GDP. Its nominal GDP for 2011 was USD 90.5 billion. Its per capita GDP of USD 1,502 ranks last in China. The province saw an immediate boost as a result of China's western development policies implemented in 2000. Investment in fixed assets after the first four years roughly equaled the total sum of investment from the previous fifty (\$38.53 billion). Investment has mainly been allocated to infrastructure, particularly communications and transport. Though a relatively poor province, Guizhou has begun to urbanize, with 40 percent of its residents living in urban areas in 2010. Guizhou is also the third largest producer of tobacco in China, and the brand "Guizhou Tobacco" is well known throughout China. Mining and energy production are especially important, primarily in coal, limestone, arsenic, gypsum, and oil shale. Timber and forestry are also important industries.



Source: FCS "Guizhou at a Glance" www.buyusa.gov/china/en

Key Industries in Guizhou:

Agricultural	Non-Agricultural
Timber and forestry	Mining (limestone, arsenic, gypsum, oil shale)
Tobacco	Coal energy
Rubber and products	Eco-tourism
	Vehicles, aircraft, ship and related transport equipment
	plastics

Guiyang at a Glance 2010 (USD)	
Province	Guizhou
Population	4,324,600
GDP Growth in 2010	\$17,771,096,266
Urban per capita Annual Disposable Income	\$2,629
Urban per capita Annual Consumption Expenditure	\$2,050
Source: Guizhou Statistical Yearbook 2011	

Guiyang

Lying on the north bank of the Nanming River, on the eastern side of the Yungui Plateau Guiyang is the capital city of Guizhou Province. It is the administrative, economic, cultural, and educational center of the city. The city has a mountainous topography and lies at an elevation of about 1,100 meters above sea level.

As with many other Chinese cities, Guiyang has experienced tremendous economic development over the last several years. In 2010, Guiyang's GDP grew 14.3 percent from a year earlier to USD 17.7 billion. Under the national development plan set forth by the central government, Guiyang is set to become an important transport hub linking the western with the Pearl River Delta Region and to provide a base from which to export Chinese products. Currently, Guiyang sits upon the flat area of the Nanming river basin at the foothills of the Miaoling Mountains. Future expansion is planned for the Jinyang area, about 15 km to the northwest of the present downtown area where a new administrative and commercial area has been established.

Recently Guiyang has become a popular destination for business travelers and tourists both from China and from other countries. From January to March of 2012 more than 13.5 million tourists passed through Guiyang, generating an income \$2.8 billion. Revenue generated over this period was an increase of 48 percent over the previous period in 2011. With the growth of foreign tourist arrivals, new western restaurants continue to open, and opportunities for American exports continue to grow. For more information on Guizhou as a market for U.S. agricultural products, please read our [Guiyang Emerging City Market Report](#).

First Hand Experience

Because of the complexity of the market, this report provides a small snapshot of the economic situation in Southwest China. It doesn't, however, cover all market factors, and we highly recommend that U.S. exporters interested in doing business in this region visit China and get a feel for the market and individual cities first hand. ATO Chengdu will offer our support with regards to questions about the market for U.S. agricultural product in Southwest area. Contact information is included below.

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