



# XI'AN

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INVEST IN A  
PROMISING FUTURE

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By Horsten International

"Our home is at the edge between two cultures, we bridge two continents and facilitate interaction between people"

2020 | JUNE



Let us help you explore the advantages of Xi'an, a vibrant and upcoming tier-two city. The business environment in inland China is still unknown and opportunities are underestimated. This brochure highlights the promising future and development of Xi'an.



## ABOUT XI'AN



Xi'an, located in the Northwest of China, is the capital city of Shaanxi province. It was the starting point of the **Ancient Silk Road** 2000 years ago. Nowadays, Xi'an is taking on the same important role under China's Belt and Road Initiative. With its strategic position, the city is China's window to the West.



Xi'an has a rich and culturally significant history e.g. the Terracotta Army. The city uses its past of being a commerce and trade center as a roadmap for its future in order to take back its prominent place in the world. Xi'an's pride and history is particularly important to today's economic development plans.



Xi'an has a critical position in the Chinese **Western Development Policy**, a plan to boost the development of inland cities. As a result of this accelerated attention, Xi'an realized a year-on-year GDP growth of 7% in 2019, and has been called "Emerging City with the Greatest Development Potential in the World". Furthermore, it was ranked top 10 on the Business Environment Report of Chinese cities and received awards such as "the Biggest Investment Potential" and "Best Commercial City in Mainland China".



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## 1. POTENTIAL CONSUMER MARKET



Consumption in Xi'an is expected to boom from 2017 to 2030, due to the following reasons:



Xi'an's population has increased to an extent of approximately **10.3 million people** in 2020. This number is expected to grow with a rate of 3.75%. A relaxation of policies, such as the one-child policies, causes people to create larger families, thus a growth in consumption.

Since lower tier-cities are developing very fast, people migrate from the East coast to inland regions. This movement is called **reversed migration**. Additionally, policies such as housing subsidies, cheaper education, Hukou - meaning the fast-tracked local household registration schemes - and other incentives stimulate people to move to Xi'an, boosting its population growth.



**Economic growth** is faster in lower-tier cities. Xi'an in particular, holds a growth rate of 7%. This leads to an increase in disposable income per capita, namely ¥41,850 in 2019. Furthermore, the younger generation is open and impulsive in their purchasing decisions.

The business environment in Xi'an is facilitated by a high penetration of **e-commerce**, which has led to extreme connectivity via digital technology. By 2021, over 90% of all purchases will involve at least one digital touch point.



Xi'an is one of China's **top 5 tourist destinations**. In other words, there are more potential consumers to target. Due to a very extensive high-speed railway network that connects 60% of Chinese cities with Xi'an, consumers from surrounding regions can easily come to the city.

## BE AWARE !

The behavior of the local market is one of the most important factors to take into account. A booming product/service in Europe does not automatically mean a success story in China. Localization is key! It is essential to offer Chinese consumers something new and innovative at a good price. Horsten International provides assistance in analyzing the Chinese market in order to target it successfully.



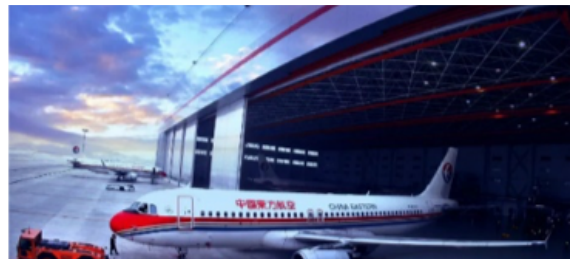
## 2. LOGISTICS HUB



Xi'an transformed itself into an international hub with a convergence of air routes, roads and railways. After playing a crucial role as the starting point of the Ancient Silk Road, the city is now taking on an even more important role in the **Belt and Road Initiative**. Xi'an connects China with the West through land and maritime corridors and is the hub for Eurasia's connectivity with more than 60 countries.

Xi'an is often referred to as an '**Inland Port**' due to its well-established infrastructure. The city's advantageous geographical location attracted many logistics companies to open offices and distribution centers, such as JD.com, Cainiao Logistics, Hainan Airlines and Yuantong Express.

The city includes the **Xi'an Comprehensive Bonded Zone** and the **International Trade and Logistics (ITL) Park**. The first one provides a variety of services, such as bonded logistics, bonded warehousing and processing. It is a special commercial area with favourable taxation policies, making it possible to import goods duty-free. The International Trade and Logistics (ITL) Park, is an economic pilot zone and important transit, trade & logistics hub in the Belt and Road.



**Xi'an's Xianyang International Airport** is very well-developed and the 7th busiest airport in China, holding an annual passenger rate over 44.6 million and 88 international airlines. The airport counts three terminals and the next one is under construction. In 2019, Xi'an had an air volume of 380 thousand tons, which is a year-on-year increase of nearly 27%. Its growth rate ranked first in the country's top ten hub airports. Additionally, the airport is the number one in terms of accuracy rate.



Xi'an holds the most concentrated national level highway connection. The central location connects to 10 provincial capitals within 12 hours' travel time, making it the biggest **distribution hub** in Northwest China.



The city is located far from waterways, making sea freight difficult. However, many goods can be transported from Xi'an towards the large ports within 24 hours, or the other way around.



The **Xi'an North Railway Station** is the largest one in Asia. Furthermore, the **Xi'an Railway Container Terminal** is Northern China's largest railway container depot, making it a major railway hub in terms of cargo. Currently, there are 13 China-Europe transport routes starting from Xi'an and running across the Silk Road. The **Chang'an international freight train**, with a transit time of 18 - 20 days, is connected to Warsaw, Hamburg, Moscow, Amsterdam and Almaty. In 2018, a total of 2,133 trips were realized, ranking first in terms of heavy haul rate and freight volume nationwide.



Railway transportation will be increasingly important:

### ✓ Expanding infrastructure

Railway infrastructure is well-developed and expanding. Additionally, China is investing more and more in its own terminals and rail lines, creating better transit times and lower costs in the future.

### ✓ Cost and time

Railway transportation takes less time than sea freight and is cheaper than air freight.

### ✓ Capacity and shipment

Possibility to ship full container loads (FCL) and less than a container load (LCL) by combining different shipments in one container. This makes railway transportation also attractive for smaller shipments. A high accuracy is guaranteed.

### ✓ Innovative applications

DHL trains are providing GPS tracking of the shipments and JD's block train is functioning as a mobile warehouse, meaning that goods on the train directly appear on JD's e-commerce platform.

### ✓ Government support

Subsidies for railway transportation in both directions.

### ✓ Influence of Covid-19

The Eurasian train connection is needed more than ever, since flights are reduced and sea transport is suspended due to the pandemic. March 2020 holds the record in the history of Eurasian rail freight traffic, with an increase of 36%.

### 3. URBAN PLANNING



The government is stimulating economic growth with the help of urban planning, focused on development and innovation. In the future the city will transform into 'the Greater Xi'an Area'. The urban development holds **city clusters** and a **Free Trade Zone**.

#### 1. City cluster

The city of Xi'an is working on a plan to create an inter-city cluster within the Guanzhong area. It is part of China's policy to develop 19 super-regions in order to upgrade economic growth through urbanization. These clusters result in better coordination, more productivity and innovation. By clustering businesses and increasing the size of the labor market, the government wants to achieve consumption-led growth.

The **Greater Xi'an Area** is a conglomerate of Xi'an, Xianyang and Xixian New Area. The main reasons are tourism, strategic location and connection to the west. The government wants Xi'an to become an international metropolis including residential and business areas.

- XI'AN
- XIXIAN NEW AREA
- XIANYANG





## 2. Shaanxi Free Trade Zone

Xi'an is located in the **Shaanxi Pilot Free Trade Zone**, established on 1 April 2017. Being the only FTZ in Northwest China, it aims to play a leading role of economic development in the region and the opening up for inland economies. It covers a total area of 119.95 square km and enjoys preferential policies towards foreign investments such as preferential taxation and special customs supervision policies.

## BE AWARE !

The government protects certain industries from foreign investment through a negative list. Sectors not on the list are accessible for both domestic and foreign businesses. Horsten International provides assistance in this field.

## 4. RESEARCH AND INNOVATION HUB



Xi'an represents a hub for research and innovation, with a leading position in high-tech industries. The city, which is already one of the "Top Ten Innovative Cities", wants to become the **Silicon Valley of Western China**.

This leads to several initiatives to promote innovation, research and entrepreneurship.



## 6+5+6+1 policy

The city strives to become a global centre of **cutting-edge technology** including hard and core science by 2025. With this strategy Xi'an wants to develop itself into an advanced manufacturing city, specialising in high-tech innovations.

- 6 Industrial Cluster Pillars, including electronic information, automobiles, aerospace, high-end equipment, new materials and new energy, bio-engineering and pharmaceutical industry.
  - 6 Production-related service industries, such as modern finance, modern logistics, R&D and design, inspection and certification, software and information services, conference and exhibition.
  - 5 Emerging industries the city wants to boost: AI, 5G, robots, additive manufacturing, big data and cloud computing.
  - 1 Represents the tourism industry.
- 



## Incubators

The government takes several initiatives to create **Soft Landing Zones**, inducing innovation and entrepreneurship. Incubators bring foreign companies in contact with the market and industry chains and provide incentives to help companies flourish. Initiatives, such as Xi'an Inno Start-up Wonderland and co-working spaces, such as RocketSpace are contributing to an attractive business environment.

## Events and contests

Different conferences are organized to promote innovation, technology and globalization. E.g. the Xi'an International Entrepreneurship Competition, the World INS Conference, the Xi'an International Entrepreneurship Carnival and the Global Programmer's Festival.

## High-Tech Development Zone

The Xi'an's High-Tech Development Zone (XHTZ) is among the top 5 national hi-tech zones in China and is also a **National Innovation Demonstration Zone**. The general purpose is to take advantage of knowledge-intensive areas by grouping them and commercialize high-tech research. The focus industries include IT, electronics, pharmaceuticals, new materials etc. The main preferential policies are (1) tax exemptions for high-tech firms, (2) exemptions from local income tax and property tax, (3) export tax rebates, (4) financial support for the provision of some facilities/services, and (5) lower rental fees. In addition, XHTZ offers incentives for foreign tech firms with the aim to build collaborations between institutes to improve research and development. This zone is part of the Free Trade Zone.



The Chinese development zones promote massive economic development and enable a positive spillover effect on surrounding companies. There are about 120,000 companies registered in XHTZ, both Chinese and international, including over 100 Fortune-500 companies such as Johnson & Johnson, Bosh, Samsung, Siemens, GE, IBM, Intel, Caterpillar etc. Several prominent Chinese leading companies such as Huawei, BYD, ZTE etc. have established their R&D and/or manufacturing bases in Xi'an Hi-Tech Zone.



The XHTZ currently counts:

-  460 scientific research institutes
-  3.14 million skilled people
-  38,690 patents applied and 11,878 authorized (2018)
-  131,000 engineers
-  The number of engineers per 10,000 employees ranks top among all national hi-tech zones

## 5. RICH TALENT POOL



Xi'an is the city with the highest density of colleges and universities and holds the largest population with higher education in China. Parents in Shaanxi Province are known for heavily investing in their children's education. The city counts:

-  84 institutes for higher education
  -  66 universities
  -  6 military colleges
  -  12 higher education schools
  
-  46 postgraduate training units

In 2018, there were 1,271,300 college students and more than 30,000 graduates. Vocational skill schools and professional training institutes educate more than 85,000 professional talents and industrial workers on a yearly basis.

Since 1985, the Antwerp province has a direct partnership with Shaanxi province to boost education.

### Thousands Talents Plan



A foreign experts program to attract more high-end talent to initiate mass entrepreneurship and innovation. It includes financial support to high-level overseas scientists and experts when they are e.g. conducting research in high-tech industries in the province.

## BE AWARE !

It can be difficult to attract local talent. Therefore, Horsten International supports foreign companies to tap into this large talent pool.



The administration of the Shaanxi province and the city of Xi'an actively try to attract overseas businesses by providing tax breaks, special fundings and cutting down restrictions. In addition, the Xi'an Municipal Bureau of Investment Cooperation promotes investment, advises foreign companies in which development zones to settle and helps to expand their local network.

### Tax Incentives



Tax preference undoubtedly plays a crucial role in the economic development of the Shaanxi Pilot Free Trade Zone. Several tax initiatives promote the development of investment, trade, service and processing industry in the region. Foreign investors enjoy the same tax preferences as the domestic investors due to the FTZ.

### Funding Plans



The Xi'an Municipal Bureau of Investment Cooperation focuses on all kinds of companies to promote innovation, entrepreneurship and investment. The incentives are flexible, depending on the size of the investment. In addition, other initiatives help start-ups raising capital from venture capital institutions and business angels.

### Cloud Platform



In May 2020, the bureau launched this integrated platform to give a clear and structured overview of the investment environment, information on new policies and project services. It will be available for foreign businesses soon.

### BE AWARE !

Horsten International provides assistance to get the latest information on policies.



## 7. SUPPORTING FACILITIES



Keeping in mind Xi'an is a second-tier city, supporting facilities are nowhere near Shanghai or Beijing. These tier-one cities face strong competition and high-living costs. Therefore, lower-tier cities are becoming more attractive for both foreign and domestic businesses. Xi'an is taking big steps in improving its supporting facilities.



**Prices** of water, electricity and gas, as well as social security, housing etc. are much cheaper.



**Healthcare** is sufficient with 1.8 physicians per 1,000 inhabitants. Many hospitals can be found in the Xi'an Hi-Tech Industries development zone, which is the most popular area for expats.



Next to numerous **universities**, there are over several kindergartens, primary and secondary schools. Additionally, the Xi'an Liangjiatan International School is the first certified school from kindergarten to high school in the Northwest of China, and the international school of the highest operation level.



Many middle and high-end **residential communities** can be found as well as a number of five-star hotels as Ritz-Carlton, Hyatt, Shangri-La, Hilton, etc. and four-star hotels as Holiday Inn.



Next to the many commercial complexes and chain hypermarkets, there are numerous **international brand restaurants** such as Starbucks, KFC, Pizza Hut, ...

International chains are already present:



## Horsten Xi'an

**RocketSpace**



Horsten Xi'an Innovation Services Co. Ltd., the Chinese office of the Belgian consultancy agency Horsten International, has set up a cooperation with RocketSpace Inc., a premier tech startup acceleration co-working space. With more than 20 years of experience in helping EU SMEs doing business in China, Horsten understands how to help a business get started in China. RocketSpace further builds on that experience and build a bridge between the customer and the local Xi'an business and technological community and government.

With its base in the city of Xi'an this partnership provides all kinds of services to offer a comfortable soft landing in the Northwest of China. Ranging from strategic advice, market research, project management services, setting up connections with the local government and search for investment.

Horsten and RocketSpace bring to the table a combination of business experience with local market knowledge and connections which will be completely put at the disposal of clients.

## Available support services for customers:



A pragmatic and open-minded view of every project and tailor-made services that fit the needs of the customer.

- **Technology-Transfer Support:** introducing the European technology to the Chinese market, assisting foreign companies to negotiate conditions with Chinese counterparts (until the transfer process is successfully completed), consulting services for Chinese companies who are willing to invest in innovative technologies overseas.
- **Business Consulting:** strategic market entry research to build the client's competitive advantage and provide value-added advisory service to ensure the client's step-by-step success in the market.
- **Marketing and Promotion:** increase public awareness, distribute information to the target population, build market image and promote business.
- **Event Management:** technical and logistical turn-key solutions for large EU-China exhibitions, conferences, seminars, B2B events, business & investment forums, etc.
- **Cross-cultural training:** all kinds of customers and industries.

More information can be found at [www.horsteninternational.com](http://www.horsteninternational.com)

# YOUR PRIVILEGED BUSINESS PARTNER FOR CHINA

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