

# Golden Gateway

China's reform and opening up turns a fishing hamlet into an international trade hub  
By Lan Xinzhen and Li Nan

Seven years ago, Loic Leclercq, the co-founder of an interior design company in Shanghai, made a "crazy decision" to leave the city and open a French restaurant on China's south-eastern coast. He relocated to the port city of Xiamen, in Fujian Province, where he operates a restaurant, bakery and wine bar. "The whole process of starting a business in Xiamen was pretty easy," says the 34-year-old French entrepreneur.

Once a sleepy city with fishing as its main industry, Xiamen was known as Egret Island—a picturesque destination and home to the great white egret. But its identity changed after China introduced the historic reform and opening-up policy in 1978 that has transformed the nation into the world's second-biggest economy. In April 2015, the Xiamen Area of the China (Fujian) Pilot Free Trade Zone (FTZ) was launched. Xiamen's proximity to Taiwan continues to attract significant investment from Taiwan.

Standard Foods was among the first companies headquartered in Taiwan to leverage the advantages of the FTZ, and in 2015 it signed an investment contract with the Xiamen authorities. In May 2017, its Xiamen unit began to produce sunflower seed oil, which exceeded a value of 500 million yuan (\$72.2 million) last year.

Allen Chen, who runs Standard Foods in Xiamen, says that had they chosen another city, the new project wouldn't have progressed so quickly. "We would still be building the plant or commissioning the equipment," he says. "The [Xiamen] administration and government departments fully supported us. Whenever we encountered difficulties, we would call them up, and soon there would be someone to help."

Xiamen is the second-easiest city in China to do business in, after the capital of Beijing, according to China's first ease-of-doing-business ranking, compiled by the National Development and Reform Commission this year. The yardsticks include how attractive the regulatory environment is for investors, and the quality of development.

"It's gratifying," says Xu Zhiduan, Executive Director of the Research Center for China's

Business Environment at Xiamen University. "Xiamen has made dramatic progress in lowering costs, shortening approval time and improving services for enterprises. Also, it has initiated innovative measures to make getting construction permits and electricity connections, and trade across borders, easy for investors."

## Ease of doing business

The Lu family is among the first self-employed entrepreneurs allowed in Xiamen, and Lu Huizhu runs a seafood business that has secured a place in the city's development history. "Forty years ago, I never thought Xiamen would become what it is today," she says. "It was just a small town for border defense. I witnessed Xiamen's growth."

The once underdeveloped village where her family lived four decades ago is an upscale commercial center today, with clusters of skyscrapers. This rapid development mirrors Xiamen's growth in population and prosperity, as it has transformed from an unassuming town into an international coastal city, winning many accolades. Recognized as one of China's "Top 10 Innovation Cities" and "Top 10 Low-Carbon Cities," it received the 2004 U.N. Habitat Scroll of Honour Award in recognition of its contribution to housing development.

Multinationals such as Coca-Cola and Dell are now operating in Xiamen, but in 1978, according to local government statistics, only 370 industrial enterprises were based there, all of them either collectively or state-owned. Last year, the number of foreign-funded enterprises with yearly revenues over 20 million yuan (\$2.88 million) reached 687, and their output value accounted for over 60 percent of the output value of all industrial enterprises in the city.

Xiamen has also become an international conference and event destination, hosting annual events like the China International Fair for Investment and Trade, the Xiamen International Marathon and the IRONMAN Triathlon. In 2017, it hosted the ninth BRICS summit, which put it in the global limelight.

Chinese President Xi Jinping, who gave a keynote speech, described the impact of reform and opening up on the city, which he called a "gateway of China's external cooperation."

"Xiamen has become well known for its innovation and entrepreneurship, with burgeoning new economic forms and new industries, robust trade and investment, and easy access to the world with air, land and sea links," Xi said.

Xu Jianmin, Director of the Investment Promotion Agency of the Administration of the Xiamen Area of the FTZ, described how the business environment has been made efficient, convenient and transparent. The administration studied the business environment evaluation indicators of the World Bank, the World Trade Organization's Trade Facilitation Agreement and other major bilateral and multilateral trade and investment agreements to implement the best international practices.

According to the World Bank's annual Doing Business report, obtaining construction permits is a time-consuming process in China. To speed it up, Xiamen slashed nearly 80 percent of the paperwork required. In the past, investors had to go from one department to another, located in different areas, to obtain the necessary approval. But now, a one-stop service center receives the paperwork. From there, the documents are sent to different departments online, and applicants no longer need to chase approvals from multiple departments.

According to the Xiamen Municipal Development and Reform Commission, by the end of 2017, 80 percent of incorporation procedures could be done online, and 92 percent of the entire process could be completed after just one visit to the service center. "We aim to build a streamlined and efficient environment to facilitate doing business and attract investors with convenient and superior service," says Fu Rurong, the commission's Deputy Director.

Intellectual property rights protection has been strengthened, and highly skilled scientific talent are being attracted to the city. The authorities have implemented a list

that clearly spells out where investors cannot invest, and online record-keeping. Many of these measures have been promoted nationwide by the State Council, China's cabinet.

The result is a remarkable change. In 2017, when Chinese e-commerce giant JD.com applied to build an industrial park in Xiamen, it got approval in just 12 days. Construction began six months ahead of schedule, becoming the fastest building project in JD.com's history.

Yunchuang Zhigu is another industrial park in the FTZ. Privately owned, it provides incubation platforms for small and medium-size enterprises in science and technology industries. Li Qiang, President of Hongxin Entrepreneur Incubator Investment Group and an investor in the park, explains what made him invest in Xiamen: "The cost of starting a business is low here, the entrepreneurial environment is good and there is a complete industry chain here." Today, more than 500 enterprises have settled in the park.

## Historical trade route

The Port of Xiamen has a key role in Xiamen's economic and social development as well as its internationalization, and over 80 routes connect it to the Americas, Europe, Africa, the Middle East, Oceania, Southeast Asia and Northeast Asia. Once traders came mainly from Southeast Asia and Taiwan, Hong Kong and Macao. But in the wake of the reform and opening up, investors have been flocking in from over 70 countries and regions, and since 1978, Xiamen's average annual GDP growth rate has been 15.6 percent.

Chen Zhaohui, General Manager of freight delivery company Xiamen International Port Co., pointed to the trade facilitation measures at the port, such as the online electronic cargo handling and online customs declaration system; no matter where the trader is, the goods can be declared online.

Historically the starting point of the ancient Maritime Silk Road, Xiamen is integrated into the Belt and Road Initiative, the two-pronged global trade and cooperation vision outlined by Xi in 2013, comprising the Silk Road Economic Belt and the 21st Century Maritime Silk Road. The local government has created a Maritime Silk Road investment fund for new investment opportunities, while the port has developed Belt and Road cruise products combining maritime culture. According to the Xiamen Statistics Bureau, in 2017, Xiamen's trade with other countries along the Maritime Silk Road reached 208.3 billion yuan (\$30.1 billion) and its investment in these countries totaled \$2.2 billion.

In 2015, the China (Xiamen) Railway Express to Europe was launched, facilitating container transportation to other parts of the world



Kulangsu Island, a UNESCO World Heritage Site

and bringing new business to Mongolia, Kazakhstan and other landlocked Central Asian countries. The express has opened four international routes reaching 13 cities in nine countries.

## An international ambience

"Here in Xiamen, opening up has two aspects," Fu Rurong, of the Xiamen Development and Reform Commission, explains. "One is allowing select industries. The other is how to work and live here. It is especially a good place for foreign talents to work and live in."

Forty years ago, it was rare to find foreigners in Xiamen. Today, they are a familiar sight, with many settling down in Kulangsu, a pedestrian-only island off the city's coast that is a UNESCO World Heritage Site rich in architectural and cultural heritage.

In the 1990s, the local government began to build a road around Xiamen. "First, it was just a road for people to travel," says Wu Mingxian, Deputy Director of the Xiamen Municipal Bureau of Sports. "Then an outdoor sports lover suggested we start a marathon here since it is the length of a marathon route.

[We] liked the idea, and started the Xiamen International Marathon in 2003." Today, the 42-km Huandao Road is one of the area's most scenic spots, with a breathtaking view of the sea.

The annual marathon race has become an international fixture, recognized as a Gold Label Road Race by the International Association of Athletics Federations, with a top prize of \$40,000. Four shorter road races are also held annually, making the island a top destination for international participants. This year, the marathon contributed to green growth by banning the use of plastics.

"The Xiamen marathon is not just a marathon, but a cultural event," says Wu. "The locals interact with the runners, voluntarily providing drinking water, fruits and encouragement along the route. It is like a carnival where foreign participants can feel the support and hospitality of Xiamen." ■

(Sudeshna Sarkar also contributed to the story)



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