

Shanghai dreams beckon more foreign investors

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Bucking the national trend, Shanghai has managed to attract more foreign investment and also offer a higher rate of return for investments, according to a white paper released by the local authorities yesterday.

The region had an average investment return of 24.73 percent in the first 11 months compared with the national average of 22 percent, said the Shanghai Foreign Investment Environment White Paper 2008 published by The Shanghai

Municipal Commission of Commerce (SMCC).

The study showed that between January and November, the number of foreign investment projects in the region rose 18.3 percent to 3,522. These projects involved a foreign investment of nearly \$15.838 billion, it said.

The annual foreign investment in Shanghai would touch a new high of over \$10 billion in spite of the global economic woes and would account for more than 10 percent of the country's total volume.

"As the commercial center in the affluent Yangtze River Delta and the gathering place for multinational companies, Shanghai has the most sophisticated logistic facilities and ample talent pool. We feel comfortable to stay with other foreign enterprises here," said Guo Chunyang, accounts manager of Japanese company Pakata Automobile Electronic Ltd.

Guo added that the preferential tax policies for foreign enterprises have also given Shanghai an edge.

There are over 34,000 foreign-funded firms in the city, accounting for 61.4 percent of such companies present in China, the study said.

According to SMCC, of the 671 foreign deals under the "headquarter economy plan", 223 firms chose Shanghai as their regional headquarters, and 270 as their research and development center, making the city the second largest pool for foreign capital after Hong Kong.

Figures show that the number of multinationals that established new offices in Shanghai accounted for 57 percent of the nation's total as of this November. Banks in Shanghai with foreign funds account for 80 percent of the total in China.

According to a survey of over 10,000 overseas investors conducted by Shanghai WTO Affairs Consultation Center and Shanghai Foreign Investment Enterprises Association, Shanghai has become the favored location for foreign firms due to its prosperous economy, sound industrial structure, ample market size, business opportunities and sophisticated basic infrastructure.

However, investors also said Shanghai faces challenges of rising cost of living, higher rentals for office buildings as well as the emergence of alternative locations in the Yangtze River Delta. The study urges the region to improve its administrative efficiency and IPR protection to create an even better investment environment.

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