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This was reflected in recent survey[1] of Hong Kong-owned companies in the PRD, conducted by the Chinese Manufacturers’ Association of Hong Kong (CMA). The findings showed that, over the next three years, 32% of such companies were considering one of the following options - moving their production activities to a more remote part of Guangdong province, moving to another province or region within China, moving back to Hong Kong or relocating to another country entirely. Of these, 11% indicated plans to move to other provinces or regions within China.

The Xijiang Golden Waterway: Reducing Transport Costs in Guangxi

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Under the “Go West” development policy currently being vigorously implemented on the mainland, Guangxi has been earmarked as the preferred destination for industries relocating from Guangdong, with the ultimate goal of driving development in the Guangxi region. In addition, the state has now elevated its Zhujiang-Xijiang Economic Belt Development Plan (Zhujiang referring to the Pearl River, and Xijiang to the Xi River) to a national strategic level initiative, alongside improvements to the support functions for the Xijiang Golden Waterway. As a result, an increased number of labour-intensive facilities will be encouraged to expand their factories and production lines in Guangxi, advancing the region’s industrial development and promoting the formation of industrial clusters. With the inland terminals of Nanning port and Guigang port both passing their acceptance inspections and opening for business in 2014, the number and frequency of cargo ships are set to increase. In light of this, many companies may now look to using the Xijiang Golden Waterway for shipping goods between Guangxi and Guangdong as a means of reducing their transportation costs.

Guangxi adjoins Guangdong and borders Vietnam[2] in the west. It is the only region in the Chinese mainland that shares both a land border and a sea link with an ASEAN country. The likely growth of the ASEAN economy, as well as the fact that Cantonese is commonly spoken in Guangxi, are all factors that Hong Kong businesses could clearly capitalise on.

Central Government Support for Guangxi

Compared to a number of other coastal regions, Guangxi has been perceived as lagging behind in terms of economic development. Guangxi’s growth, however, has been gathering pace of late, following China’s all-out efforts to develop its western regions. Since the State Council began implementing the Guangxi Beibu Gulf Economic Zone Development Plan in 2008, Guangxi has played an important role in China-ASEAN cooperation, as well as with regard to regional co-operation in the Pan-Beibu Gulf, Pan-PRD and with the six southwestern provinces. In July 2014, the State Council elevated the Zhujiang-Xijiang Economic Belt Development Plan to national strategic level, accelerated its programme of roads and waterway construction, and further improved the layout of the inland ports. This was in order to help transform the Zhujiang-Xijiang artery into a core, comprehensive channel for communications and transportation, while improving the supporting functions of inland rivers and ports in Guangxi.

At the same time, Guangxi has been keen to bolster its number of incoming industrial transfers from the Guangdong region. This is in the hope that these will spur the development of Guangxi, foster the formation of industrial clusters, drive transformation and upgrading, and promote the co-ordinated development of Guangdong and Guangxi. The Zhujiang-Xijiang Economic Belt and the Beibu Gulf Economic Zone, which has also been elevated to national strategic level, are regarded as the twin engines of Guangxi’s economic development. In addition, the Chinese government is poised to spend US$40 billion to establish the Silk Road Fund, an initiative aimed at accelerating construction of the Maritime Silk Road and deepening economic co-operation with the ASEAN countries. Guangxi serves as China’s bridgehead to ASEAN, and could become the ideal platform for factory owners and traders looking to develop their interests in the ASEAN market.

Xijiang Golden Waterway Promises Lower Logistics Costs

Xijiang is an important waterway, which connects Guangxi, Yunnan, Guizhou and other
southwestern regions with Guangdong, Hong Kong and Macau. The Xijiang shipping route – dubbed the “Golden Waterway” – connects Nanning with Guangzhou. Together with the Yangtze River, they are listed as the two major high-grade, east-west, navigation channels in the country’s water transportation network. Xijiang is an important part of China’s major southwestern waterways with sea access. Of the inland river cargo shipments in Guangxi, 90% must pass through this section. In recent years, the development of Xijiang has been a high priority for the governments of Guangdong and Guangxi and they have worked hard to secure the success of both the “Golden Waterway” and the Zhujiang-Xijiang Economic Belt.

By 2020, in line with the 2010 Guangxi Xijiang Golden Waterway Construction Plan, work on a 1,000 ton-class, 1,480 kilometre-long, inland navigation channel will have been completed, connecting the cities of Nanning, Guigang, Baise, Laibin, Liuzhou and Chongzuo. Downstream from Guigang, there will be a navigation channel for 3,000 ton-class ships. A high-grade navigation channel for 500-ton class ships will also be built and will connect to the Hechi Hongshui River waters. An additional local channel for 300-ton class ships will be built to connect the cities of Guilin, Hezhou and Yulin. Once the navigability of the Guangxi shipping artery has been upgraded, it will drive the development of the cargo logistics industry along the river, ultimately helping to lower logistics costs.

According to one Hong Kong investor engaged in garment processing in Guigang, its fabric is shipped from Taiwan to Hong Kong, and then transported by truck to its factory. The finished goods are then moved from Guigang to the Pearl River Delta by highway, before finally being exported to overseas markets by ship. If Xijiang’s transportation logistics are improved, the company could switch from road transportation to river shipment. The company currently exports around two million pairs of trousers annually, entailing trucking costs of more than Rmb1 million. When transported along the Xijiang inland river, the annual costs are expected to be reduced by at least 50%.

**Nanning Port: Water-Land Intermodal Transport Logistics**

The Nanning municipal government is now fully committed to establishing the Nanning port as a major transhipment point for China's southwestern region, the Beibu Gulf Economic Zone and the Pan-PRD region, while also developing the industries based along the river. The Niuwan operation area[3] in the centre of Nanning port, the Liujing transfer station operation area and the Balian joint-venture factories operation area in the Liujing port area, came on line in late 2014 after passing the relevant acceptance tests. At present, the Liujing operation area in the Nanning port primarily handles bulk trade domestic cargo, including grains, mineral ores and coal. Overseas cargo is usually imported by ship into Guangzhou, before making its way to other regions in China’s southwest via the Xijiang inland waterway. The Nanning port terminals allow for the berthing of 2,000-ton class cargo ships, with cement, mineral ores and fibreboard being the main types of bulk cargo exported via Guangxi.

For those factory operators that have either expanded their production lines into Guangxi, or have moved their production lines from Guangdong to Guangxi, most of their raw materials and spare parts still come by road from Guangdong. Similarly, the finished products are also transported by road from Guangxi to Shenzhen or Hong Kong prior to being exported to overseas markets. In general, the average shipping costs are estimated to be lower than average trucking costs.
At present, the price for berthing and loading/unloading at the Liujing operation area terminal in Nanning is about Rmb60-70 per ton. Containers can be parked rent-free at the storage yard for 15 days or in the warehouse for 20 days. In addition, the Liujing operation area lies near the Nanning-Liuzhou Expressway, the Guangzhou-Kunming Expressway and the Liujing-Qinzhou Expressway. The Hunan-Guangxi Railway and Litang-Qinzhou Railway lines both stop in Liujing, thereby facilitating train-river and river-road transhipments. Of the 10 berths available at the Liujing operation area in Nanning port, three have been especially designed for container cargo ships. In the long term, factories will be able to tranship cargo to and from Guangdong and Guangxi along the Xijiang inland river, reducing transportation costs and boosting the industrial clusters along the river.

Guigang port, downstream from Nanning port, has three main port areas: City Centre, Guiping and Pingnan. It has a total of 159 berths. In 2014, the cargo throughput of the Guigang port was 48.53 million tons and 250,000 TEUs (or a total of 50.17 million tons), comprising 52% of the Guangxi inland river throughput, making it the largest contributor to the Guangxi inland river ports throughput[4].

The ever-improving port facilities in Guigang have attracted investment from a number of enterprises, including the China Huadian Corporation, China Resources Enterprise and Taiwan Cement Corp. This has prompted a number of Guangdong businesses, particularly those in the electronics, garments, chemicals and construction materials sectors, to move to Guigang, thereby fostering the emergence of clusters of labour-intensive industries.
The port of Guigang

A container storage yard at the Luobo Bay operation area

The Luobo Bay operation area, situated in the city centre of Guigang, is a national first-class open port with regular shipping connections to a number of inland and overseas destinations. Operated by the Guangxi Guigang AKR Container Port Co Ltd, it focuses on container cargo, bulk cargo, transhipment, storage, warehousing, shipping agency and freight services. Its inland shipping connections are chiefly to Yunnan, Guizhou and Sichuan, while Hong Kong is its main overseas destination. The Luobo Bay operation area, which is still under construction, currently mainly handles bulk cargo, notably timber, sugar and corn. Of the seven berths completed, three are for container ships. In 2014, around 82,000 TEUs were handled. It is projected that the Luobo Bay operation area storage yard, following its 2016 expansion, will be able to handle 300,000 TEUs and three million tons in bulk cargo. The Luobo Bay operation area in the Guigang port lies close to the Litang-Zhanjiang Railway and the Nanning-Wuzhou Expressway, making transportation convenient and benefiting the development of Guigang’s transhipment business.

Regular Inland and Overseas Container Connections in the Luobo Bay Operation Area

<table>
<thead>
<tr>
<th>Shipping line</th>
<th>Frequency</th>
<th>Ports served</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inland</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guigang ↔ Nansha</td>
<td>West bound</td>
<td>One sailing in each direction every two days</td>
</tr>
<tr>
<td></td>
<td>East bound</td>
<td>One sailing in each direction every two days</td>
</tr>
<tr>
<td>Guigang ↔ Zhuhai ↔ Nansha</td>
<td>West bound</td>
<td>One sailing in each direction every two weeks</td>
</tr>
<tr>
<td></td>
<td>East bound</td>
<td>One sailing in each direction every two weeks</td>
</tr>
<tr>
<td>Overseas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guigang ↔ Hong Kong</td>
<td>West bound</td>
<td>One sailing in each direction every two weeks</td>
</tr>
<tr>
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<td>East bound</td>
<td>One sailing in each direction every week</td>
</tr>
</tbody>
</table>

Source: Guangxi Guigang AKR Container Port Co Ltd

According to a Guigang shoe factory operator, which processes imported materials for export, it had previously considered transporting its imported materials via the Xijiang inland waterway from Shenzhen to Guangxi. The difficulty was that most of its overseas
customers place express orders, while the inland river shipping schedule and the cargo unloading times were both fixed and rigid. As a result, the factory currently still moves its cargo by road between Shenzhen and Guangxi, an arrangement that allows for a more flexible operation. The export situation is similar - the international shipping schedule at the Guigang port is not frequent as that from Shenzhen or Hong Kong, the main reason why the shoe factory still road-freights its exports goods directly to Shenzhen or Hong Kong.

The number and frequency of Xijiang inland river cargo ships, however, are set to increase as the Xijiang port is further developed and as labour-intensive industries start to agglomerate in Guangxi. In the future, companies can expect a change in the present mode of logistics and transportation, and may want to consider transporting cargo between Nanning and Guangdong via the Xijiang inland waterway instead of by road, thus benefiting from a reduction in transportation costs.


[2] There are 12 border ports between Guangxi and Vietnam, of which five are national first-class ports of entry: Dongxing, Pingxiang, Youyiguan (Friendship Pass), Shuikou and Longbang. Apart from these, there are 25 border-trade crossing points.

[3] An “operation area” refers to one of several loading/unloading areas within the port area that operates relatively independently based on the type of cargo, throughput level, cargo flow, ship type and port layout so as to facilitate its management.


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