

Shanghai Office

Fact Sheet: Hangzhou

1. Introduction

Hangzhou, capital of Zhejiang Province, is a captivating city of contrasts where tradition and innovation meet. Spanning 16,850 square kilometers, it boasts a population of 12.52 million and a thriving economy, with 2023 city GDP of RMB 2.006 trillion (approximately EUR 257,6 billion euros) (5.6 % year-on-year growth). Per capita GDP stands at around RMB 161,100 (approximately EUR 20,683). It is a great contributor of growth at provincial (Zhejiang population 66.27 million, provincial GDP RMB 8.2553 trillion approximately EUR 1060.7 billion in 2023) and national level.

Beyond its economic strength, Hangzhou is a premier tourist destination. Rich in history and culture, it's famed for the breathtaking West Lake, a UNESCO World Heritage Site. The city seamlessly blends its heritage with a modern and innovative spirit, attracting leading e-commerce giants like Alibaba and NetEase. This makes Hangzhou a magnet for professionals and entrepreneurs in the IT sector.

2. Economy

Hangzhou is an important production base and logistics center for China. The main areas of interest include medicine, information technology, equipment, automotive components, and food processing. In 2020, a free trade zone was established to facilitate and attract Chinese and foreign investments in Zhejiang Province. The China (Zhejiang) Pilot Free Trade Zone aims to promote the development of digital trade, digital industry, digital finance,

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digital logistics, and digital governance. Originally located in the city of Zhoushan, the free trade zone was expanded in 2020 to include areas of Hangzhou (in the districts of Qiantang, Xiaoshan, and Binjiang), Ningbo, and Jinyi.

In 2023, exports totaled RMB 383.53 billion (EUR 48.6 billion), reflecting a growth of 1.9% and constituting 14.1 % of the province's total. Meanwhile, imports amounted to RMB 175.62 billion (EUR 22.3 billion), up 5.8 % and accounting for 17.9 % of the province's total trade. The European Union, the United States, and the Association of Southeast Asian Nations maintained their positions as Hangzhou's top three trading partners. Over the same period, the import and export volume with important partner countries and regions from Chinese perspective amounted to RMB 183.86 billion (EUR 23.368 billion), marking an 11.2% increase, while exports and imports with African countries reached RMB 29.26 billion (EUR 3.7 billion), marking a 20.7 % increase.

Hangzhou, is home to seventeen development zones, including nine state-level and four provincial-level zones as of 2023. To foster business growth and innovation, especially within its development zones, the local government offers various incentives. Tax Breaks for High-Tech Firms: companies involved in high-tech industries can benefit from reduced tax rates. Incentives for Internet Start-Ups: Start-ups in the internet sector receive additional support, including Housing Subsidies for Entrepreneurs: Financial assistance to help entrepreneurs with housing costs; Investment Promotion Events: Initiatives and events aimed at attracting private and foreign investment to support start-ups. These measures aim to create a favorable environment for businesses and stimulate economic development in Hangzhou.

3. Finance

Hangzhou is among the top 100 financial centers in the world according to the Global Financial Center Index and has been repeatedly rated by Forbes as one of the best cities in mainland China for conducting business. In last years, the city has implemented the “Fintech Regulatory Sandbox Plan”, an initiative born from the collaboration between major banks and Chinese regulatory authorities to encourage innovation in the financial technology sector. It allows various companies to test new products and services in the market. Launched in Beijing in December 2018, the initiative was extended to the cities of Hangzhou

(2020), Shanghai, Chongqing, Shenzhen, and Suzhou, as well as to the Xiong'an New Area, a much-anticipated new economic zone, the Project is led by the People's Bank of China. The program monitors fintech developments in the internet of things, big data, artificial intelligence and blockchain sectors, allowing innovation to take place in a separate environment from the wider financial market in a bid to reduce risks.

4. Innovation

Hangzhou is a pioneer in digital innovation, designated as a pilot city for national informatization, e-commerce, and e-government. In terms of technological innovation, in 2022, the city invested a total of RMB 72.303 billion in research and development (R&D), an increase of around RMB 5.6 billion over the previous year 8.4% overall and ratio to GDP 3.86%, ranking first in the province.

Hangzhou is on a mission to establish itself as the national leader in the digital economy. The city leadership recently highlighted the importance of developing key areas such as visual intelligence, cloud computing, big data, high-end software and AI, and integrated circuits (as stated by the Hangzhou Municipal Bureau of Economy and Information Technology). At the same time, there will be a strong focus on integrating data practices. By piloting digitalization efforts and hosting the Global Digital Trade Expo, Hangzhou aims to empower traditional industries through digital transformation, strengthen its image as a national model city for service-oriented manufacturing, and support digital technology service providers in critical sectors.

Additionally, enhancing digital infrastructure is a key priority. Plans include expanding high-speed internet networks, intelligent computing centers, national internet exchange centers, and IoT infrastructures. The development of Zhejiang's new computing power center is also in progress, aiming to create an affordable hub for national computing resources.

Hangzhou's strategy includes talent development, regulatory frameworks, supportive policies, and major events to foster a favorable environment for strong digital economic growth. The city is set to advance significantly in the digital revolution, solidifying its role as a pioneer in China's digital landscape.

The Ministry of Science and Technology recently published the 2023 Innovative City Innovation Capability Evaluation Report, where Hangzhou ranked fifth. A national innovative city is characterized by strong independent innovation capabilities, robust scientific and technological support, high levels of sustainable economic and social development, and a significant impact on regional progress.

Additionally, Hangzhou hosts the prestigious Zhejiang University, ranked no. 44 in QS World University Ranking 2024. Zhejiang University among several projects, also hosts the “Academy of Internet Finance” Research Center which has been established in Hangzhou in the context of the People’s Bank of China’s financial technology development plan, Zhejiang Province’s efforts to build emerging financial centers.

In the last years, Hangzhou, made considerable breakthroughs in the field of science and technology innovation and gained incremental nationwide and international recognition. The city ranked 14th in the world for two consecutive years in the Global Innovation Index (has been rising from the 85th place in 2017 to the 14th place in 2022, and ranks the 14th again in 2023). The Global Innovation Index is an important evaluation index issued by the World Intellectual Property Organization, which measures the quality of scientific and technological output and innovation from the dimensions of PCT (Patent Cooperation Treaty) applications and scientific publications (mainly including scientific papers). These innovation achievements come from universities, scientific research institutions and enterprises in Hangzhou. The team of Zhejiang University has successfully developed the long-acting smart insulin, one dose of which can take effect for about one week. This achievement is published in *Nature Biomedical Engineering* as the internationally renowned journal. Zhejiang Lab Research Team has first discovered the Fast Radio Burst as the mysterious signal from the depth of the universe, which could be seen in *Journal of Science*. Alibaba DAMO Academy has utilized the AI technology to complete pancreatic cancer screening, which has been released in *Nature Medicine*.

Being one of the IT centers of China, its innovation is reflected across all sectors, including the law. Hangzhou Courts are also renown to be trial venues for law and tech policies (Hangzhou Courts are the first trials on blockchain notarization of evidence, trial rules for e-commerce courts, establishment of the Hangzhou Internet Court.)

5. Foreign Investments

Thanks to its strong entrepreneurial vocation and the development of its digital economy, Hangzhou represents a major attraction for foreign investments. The Italian economic presence in Hangzhou is represented by many companies. A number of them specializes in the agri-food sector (e.g., Ferrero, which opened a production plant in the city in 2015). Also significant are the advanced mechanics and automotive sectors, represented by companies such as Comer, Zoppas Industries and Sipa. Other areas in which Italian companies operate include the textile, leather, and fashion sectors.

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Sources

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