

CHENGDU FORTUNE

Forum to highlight growth momentum

Capital city of Sichuan becoming economic center as businesses look westward

By ZHENG YANGPENG
zhengyangpeng@chinadaily.com.cn

Half a year from now, business leaders from around the world will be gathering in Southwest China's Chengdu for the 2013 Fortune Global Forum, an event organized by the business magazine Fortune.

In 1999, when the prestigious summit was convened for the first time in China, in Shanghai, the country had not yet recovered from the Asian financial crisis. Nor was it a member of the World Trade Organization or the second-largest economy in the world.

Its economy was in fact the seventh-largest, coming in after Italy's in the ranking. Many foreign corporations, lured by the potential of the world's most populous country, had just entered China and were still wondering if the country's economic growth would prove durable.

The Fortune Global Forum has since been held twice in China, one in Hong Kong in 2001 and the other in Beijing in 2005, meaning the forum has taken place during various stages of the country's development.

China entered the WTO in 2001, a step that helped it become more integrated into the global economy. Next came several years of economic growth at double-digit percentages.

The country was able to stay on its feet during the global financial meltdown of 2008 and then overtook Japan two years later to become the second-largest economy in the world. China's potential to become a driver of global economic growth has turned into reality. Chengdu, once a place little known to foreigners, is now home to more than 200 of the companies appearing on the Fortune Global 500 listing of the world's largest companies.

Promising future

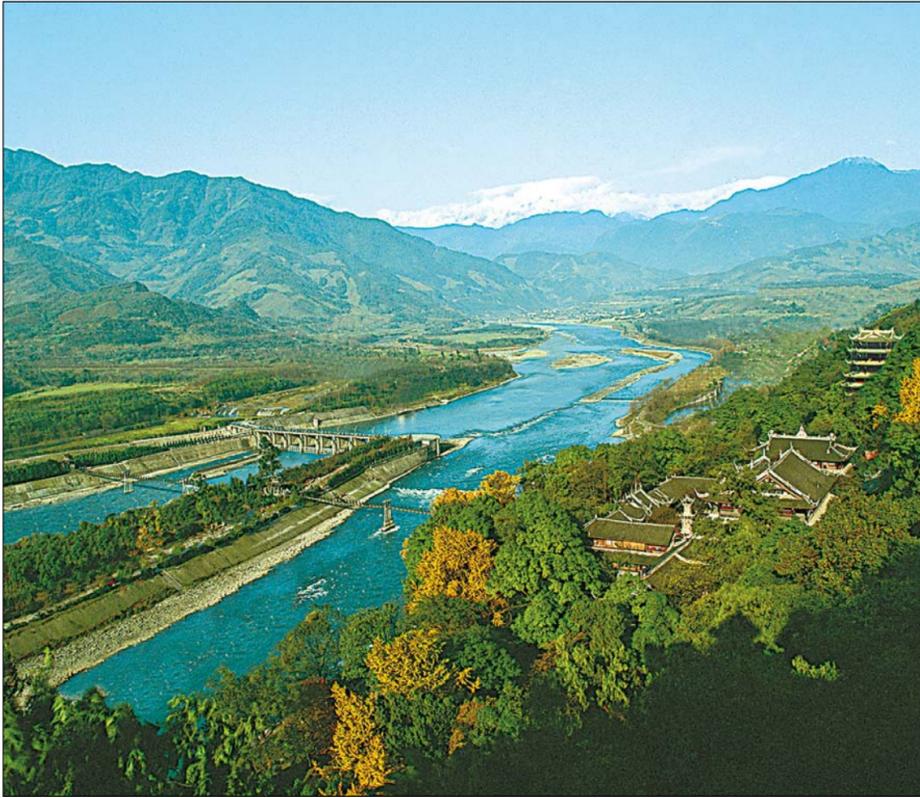
In fact, a careful examination of the theme of each Fortune Global Forum gathering held in this country suggests how the world's perspective on China has quietly shifted.

The theme of the Shanghai Fortune Global Forum in 1999 was "The coming 50 years for China". When business leaders, economists and politicians from around the world then gathered in Pudong to discuss China's new business opportunities, the thriving cities along China's east coast were probably the things uppermost in their minds.

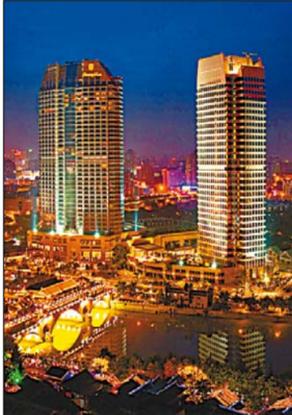
Liu Ge, a veteran reporter with China Central Television, said the late 1990s saw many overseas enterprises flock to Shanghai and the nearby cities of Suzhou and Kunshan to establish manufacturing centers. The goods produced at these factories were exported throughout the globe, strengthening China's position known as the "world's factory".

Liu visited Chengdu last year and afterward said he had noticed striking similarities between Chengdu's industrial park and the industrial parks he had seen in Suzhou in the late 1990s.

What perhaps impressed him most was the city's burgeoning consumerism. In Chengdu's Chunxi



Chengdu's Dujiangyan irrigation system, built in 256 BC during the Warring States Period (475-221 BC), is still in use.



Shangri-La Hotels and Resorts in Chengdu.



Chengdu is home to the giant panda.

Road, which is crowded by top brand retailers, Liu saw trendy young women dressed in clothes more commonly associated with their contemporaries in Beijing and Shanghai.

Andy Serwer, managing editor of Fortune Magazine, also noticed the change.

"Western companies look at China as a place of outsourcing and production," Serwer said. "Now these trends are certainly continuing, but another important part, the consumer part, is making more weight."

This, combined with the dramatic growth of China's western regions and the country's urbanization, are the chief reasons why Fortune selected "China's new future" as the theme for the forum next year.

"The story of western China is appealing to us," Serwer said.

Global integration

Chengdu is not a city that has suddenly materialized out of the ether. The fertile Chengdu Plain, where Chengdu lies, was the birthplace of the early Shu civilization. In 311 BC, Kaiming IX, the king of ancient Shu, established his capital city on the site, giving it the name Chengdu, which

literally means "becoming the capital" in Chinese. During the Three Kingdoms period (AD 220-280), Zhuge Liang, chancellor of the Shu kingdom, called Chengdu "the land of abundance". Li Bai, a famous poet from the Tang Dynasty (618-907), exulted the city by saying "Chengdu lies above empyrean".

But the ancient capital's fast modernization and integration into the global business world did not come into fruition until the 2000s. In the year 2000 itself, the central government embarked on its "Go West" initiative, aiming to alter the comparatively backward development of China's vast western expanses.

New highways and airports were built, improvements that have paved the way for industrial expansion. Early in 2003, the semiconductor maker Intel Corp announced it would go to Chengdu to set up a factory where semiconductor chip packages would be tested. The plant started operating in 2005.

The decision was made following

rounds of negotiations among Intel, Chengdu and other Chinese cities. Intel later said it was attracted to Chengdu because of the city's strategic location, good infrastructure and deep pools of talent.

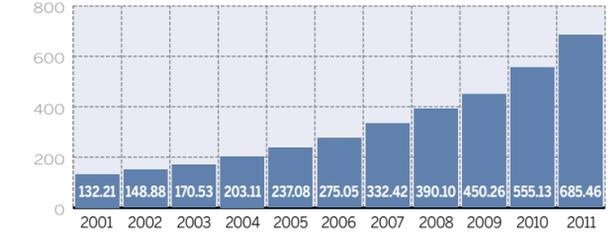
Intel's coming to the city was followed by similar moves by various other IT giants, including Dell Inc, Lenovo Group Ltd, Foxconn, Compal Electronics Inc and Wistron Corp. One out of every two of the laptop microchips made in the world is now produced in the city. And two-thirds of the world's iPads come out of Foxconn's Chengdu plant.

Mao Yushi, a renowned economist in China, said a large reason why Chengdu can attract international IT giants is the relatively low cost of air freight in the city. Beyond that, the companies' products, such as microchips and tablets, tend to be light, making it easier for a city such as Chengdu to overcome its previous disadvantages in transportation.

"In the old days, big cities tended to lie along big rivers and seas,

CHENGDU'S GDP

Unit: billion yuan



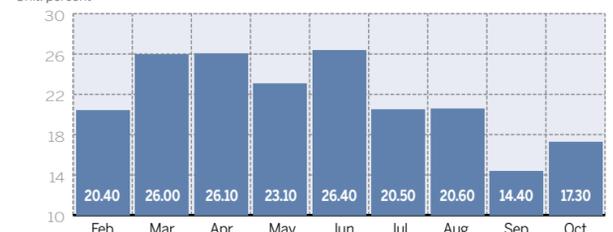
CUMULATIVE VALUE OF FOREIGN DIRECT INVESTMENT IN CHENGDU IN 2012

Unit: \$billion



YEAR-ON-YEAR CHANGE IN FDI

Unit: percent



Source: Wind Information

LI YI / CHINA DAILY

because the cost of water transportation was the lowest there," Mao said. "But today's consumer goods tend to be much lighter and expensive. So cities such as Chengdu have a big opportunity to develop."

This is reflected in traffic flow figures for the city's airport. Last year, the Chengdu airport's customs office handled 64,600 tons of goods, up 264 percent from the year before. Chengdu is also the only city in west China that has managed to get the shipping companies United Parcel Service Inc, FedEx Corp and DHL to open a direct-freight business in it.

Besides shipping, many executives at international companies said the city's talent pool was a large attraction to them.

"We chose Chengdu for the cultural environment, forward-looking government and excellent labor resources, not for its labor costs," said Bian Chenggang, general manager of Intel Products (Chengdu) Co Ltd.

As an example of what he means, Bian talked about a product recall the company had to deal with early last year. On the eve of the Chinese Lunar New Year, his boss asked him to call engineers back to the company to fix the problem.

"I was under great pressure because I wasn't sure if they would be willing to leave their families on that particular day to come into work," Bian said.

To his surprise, he made 170 calls and never once received "no" as an answer. The engineers worked day and night and were able to solve the problem in nine weeks. Bian and his boss had estimated it would take three months.

"I give top marks to Chengdu's workforce," Bian said. "Chengdu is where Intel's long-term strategy lies."

Fortune city

As the mayor of Chengdu, Ge Honglin has been frequently asked what the Fortune Global Forum means for this city. He chose to draw a comparison between the coming event and the 1999 Fortune Global Forum, which was held in Shanghai's Pudong area. As a participant in that event, Ge was keenly aware of how the forum has helped make the area more prominent internationally. And he believes the 2013 event will bring the same results to his city.

"It's a great opportunity for the world to have a better understanding of Chengdu and for Chengdu to go international," Ge said.

Serwer is of a like mind. He said the event will take the city to the next level and make CEOs and global leaders more aware of Chengdu.

Xu Fengxian, a senior researcher with institute of economics at the Chinese Academy of Social Science, said Fortune's choice shows that China's economic center is moving westward and the region is opening up further to the world.

Wang Zhile, researcher at the Chinese Academy of International Trade and Economic Cooperation, said Chengdu's development is a sign of the country's fast pace of growth. Wang said both the city and China are placing a priority on "going global" and driving domestic markets along a path that will turn rapid growth into long-term development.



Chengdu Tianfu Software Park is a State Software Industry Base.