

CHENGDU FORTUNE

Inland city set to become major economic engine

International firms choose Chengdu as center of their China operations

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The inland city of Chengdu, the capital of Sichuan province in Southwest China, is expected to become one of the country's economic powerhouses over the next decade, as it restructures its economic growth model and develops further links with the West.

Considerable investment has already been made in the city by Western companies, including by DHL, one of the world's leading logistics companies.

Zou Yin, DHL's supply chain managing director for China, told an investment promotion event, "Invest in Chengdu", held in December in Shanghai, that China's western region will be prioritized in its investments in the country, calling Chengdu the company's "favored destination".

He added: "The city will enjoy

great development opportunities as China restructures and upgrades its economic growth pattern in the next five years."

DHL has invested about 100 million yuan (\$16.04 million) in a warehousing and distribution base in Chengdu, which will be developed into its regional as well as countrywide distribution center, according to Zou.

Given the city's strategic position, other international logistics firms have also chosen Chengdu as the center of their China operations.

Higashi Michihiro, managing director of the China branch of Global Logistic Properties Ltd, one of the world's largest providers of modern logistics facilities, said: "Chengdu has the ability to attract foreign enterprises as its local services are highly efficient."

"It's not an exaggeration to say that if you want to succeed in China's western region, Chengdu is the first choice."

Brenda Foster, president of the American Chamber of Commerce in Shanghai, added she considers Chengdu as the preferred city for American businesses wanting to invest and expand their operations in central China.

Similar investment events for the city were held in Beijing and Shenzhen in December, and many State-owned enterprises and private companies used it as an opportunity to showcase their investment plans for the city.

According to organizers, some 42.25 billion yuan worth of investments were announced during the event, and 50 projects were launched. Of those, 12 were foreign-funded projects involving \$736 million worth of investment.

Chengdu was listed as one of the fastest growing cities of the next decade by Forbes magazine in 2010.

The western metropolis is buzzing with new construction, including an increasing concentration of high-tech companies, global giants such as Dell Inc and Cisco Systems Inc.

New airport, road and rail connections link the city to both the rest of China and internationally.

Future economic incentives, including those aimed at providing a low-cost business environment, will prove critical in attracting investment to the city.

Vice-Premier Li Keqiang said during the China-Arab States Economic and Trade Forum in September that China was further opening up to the West, by building a group of forerunning cities, which will spearhead the



The Shangri-La Hotel in Chengdu. The city's quality infrastructure and services are among the major reasons behind many multinationals' decision to invest heavily in the western city.

country's expansion into international markets.

Wu Bangguo, chairman of the Standing Committee of the National People's Congress, said during the Western China International Economy and Trade Fair in September that the country's western region is becoming its "new powerhouse" for economic growth.

Economic growth in the western region has been outpacing that in the eastern part of the country since 2007.

The first nine months of 2012 saw GDP expand by 12.4 percent in the western region, against 9.1 percent growth in the eastern area, according to the National Development and Reform Commission.

And Chengdu's GDP in 2012 was expected to have reached 800 billion yuan, an increase of more than 13 percent from the previous year.

It's Chengdu that is expected to become the center of that western boom, as high-tech

industries particularly are developed into industrial clusters in the inland city.

"Chengdu has attracted and built up a group of advanced manufacturing sectors such as IT, the automobile and the aircraft industries, which will help it enjoy strong development," said Sheng Yi, deputy head of Sichuan Academy of Social Sciences.

12.4
percent

the economic growth rate in the western region in the first nine months of 2012

Guo Yuanxi, a professor from Southwestern University of Finance and Economics, added that the city should further promote high-end manufacturing, which will boost exports and ultimately serve as its engine of economic growth.

In 2012, Chengdu's foreign

trade was worth \$47.4 billion. Exports reached \$30.4 billion, up 32.4 percent from a year earlier, according to official data from the city.

Its foreign business involvement is seen as a bellwether of the city's surging exports.

Its exports from foreign businesses, including Intel Corp and Dell, surged 57.82 percent year-on-year to \$12.03 billion in the first 10 months of 2012 and accounted for 49.39 percent of the city's total export in the same period.

Actual foreign direct investment in Chengdu in 2012 increased by 31 percent year-on-year to \$8.59 billion, against a 3.45 percent drop in FDI flowing into China as a whole in the first 10 months, according to the Ministry of Commerce.

The city attracted another 26 companies from Fortune Magazine's annual ranking of the world's 500 largest companies during 2012.

A total of 233 Top 500 enterprises have now set up business in the city, the best performer among western cities, according to Chengdu Investment Promotion Commission.

Chengdu is also attaching great importance to its development as the region's leading financial center.

Data from its financial office show that the balance of deposits in its financial institutions reached 1.7 trillion yuan in 2011, with a loan book worth 1.37 trillion yuan.

Added value from financial sector registered 52.4 billion yuan and accounted for 8 percent of the city's GDP in 2011, showing that financial sector has become a pillar industry of the city.

"Chengdu's major financial indexes are ahead of other western cities," said Zhou Xiaoqiang, vice-president of the People's Bank of China, Chengdu Branch.



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The Tianfu Life Science Park in Chengdu, capital of Sichuan province.