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The Tianfu New Zone software industrial park is among the many high-tech operations in Chengdu.

'Chengdu phenomenon' new model for growth

Smaller, more space for farms, education, elderly

By YANG YANG
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China's fastest-growing inland city Chengdu will host the largest Fortune Global Forum ever in June with representatives from 442 of the magazine's Global 500 companies slated to attend, according to local media reports.

Against the backdrop of a sluggish world economy, many coastal cities have been severely challenged by falling exports and rising labor costs.

But Chengdu's advantages in geography, industrial structure and urban planning have helped boost exports and the inflow of foreign capital, talent and big international companies, said a leading Chinese expert.

"Last year, the actual use of foreign capital flowing into China decreased by 3.7 percent but it rose 31.1 percent in Chengdu," said Fan Jianping, chief economist at the State Information Center, a government think tank.

Fan said the "Chengdu phenomenon" is mainly driven by IT products that dominated its 32.4 percent growth in exports last year.

"Modernization of the city's industrial structure is very obvious. On the global IT industrial chain, Chengdu has become a very important base for both manufacturing and R&D," he noted.

Over the last 10 years, Chengdu has risen to be the fourth center for IT products following the Yangtze and Pearl River deltas and the Bohai Economic Rim.

Industrial transfer

As well, the city's geographical advantage has brought benefits at the same time coastal areas are challenged by soaring costs. Manufacturers are seeking opportunities in inland cities, which provides a big chance for Chengdu, said Yi Xianrong, an economist and former researcher at the Chinese Academy of Social Sciences.

"The trend is coastal producers moving some manufacturing industries to Central and West China, which soon will become new growth points for the nation's economy," he says.

Some of those migrating businesses enable Chengdu to compete with developed cities worldwide in cutting-edge technology and emerging industries, said Yi.

"Worldwide, a new wave of global economic structural transformation and technological innovation has started — the same opportunities brought to Chengdu by industry transfer and technological innovation," he said.

The opportunities are alluring, but how to sustain development after Chengdu receives transferred industries is crucial.



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CHIEF ECONOMIST
STATE INFORMATION CENTER



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ECONOMIST
CHINESE ACADEMY OF SOCIAL SCIENCES



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LU SUIQI
FINANCE PROFESSOR, SCHOOL OF ECONOMICS
PEKING UNIVERSITY



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JIA KANG
DIRECTOR
RESEARCH INSTITUTE OF FISCAL SCIENCE
MINISTRY OF FINANCE

Lu Suiqi, a finance professor at the School of Economics at Peking University, said that if the city wants to find new development space, it first has to grow to be a leader in those key industries.

To realize sustainable growth, Chengdu needs to continually upgrade its industrial structure and choose industries rationally.

"The most privileged industry is IT, but I hope Chengdu will not confine itself to it," Lu says.

And the city does have many other advantages including agriculture and tourism.

Lu said Chengdu should also transform traditional industries. One way is to combine development with its abundant resources, but over-exploitation should be avoided, he said.

Urban planning

It also has more trump cards. The home of giant pandas is famous for its agreeable living environment, which has gradually become an increasingly important element for a city to attract talent and companies. By the end of last year, 233 Global 500 companies had branches or plants in Chengdu.

The local government has plans to develop a new urbanization mode — a harmonious relationship between the countryside and town, and a pastoral living style for residents.

Jia Kang, director of the Research Institute of Fiscal Science at the Ministry of Finance, says that as the development leader of West China, Chengdu not only represents the west, but has gained more attention from around the country due to its people-oriented urban planning.

"It is unfortunate that too many Chinese cities look similar after urban planning," he said. "Chengdu is a city rich in culture and history, which should not be cast away during development."

"Urban planning and development should avoid excessive expansion. Sometimes being small but fine can be even more attractive," Jia said.

He said that if Chengdu is to lead the regional economy, it must have its own characteristics and advantages brought through innovation of institutions. An outstanding policy that Chengdu should continue is the space it has left for the development of farms, Jia added.

Chen Bingcai, a researcher with the National School of Administration, stresses the building of "soft power" in a city.

He says Chengdu should take the development of transportation as a priority, whether inside the city or outside connected to other cities. It will not only offset Chengdu's disadvantage as an inland city, but also will improve the city's operational efficiency.

He added that the city should also pay more attention to the development of tourism and education, and try to offer more support for the elderly, which all are elements that can attract multinationals.

briefly

Dell assembly lines

Dell announced in early May that two assembly lines at its new factory in Chengdu will begin operation on June 7 producing laptops and desktops for the world market. Planned for 20 production lines at build out, the "goal is to build Chengdu into a global flagship production center," said Huang Yunfei, Dell's Chengdu project manager. Before the new facility was built, Dell's existing operations in the city shipped nearly 2.6 million computers by the end of last year.

Surging VW-FAW

In the first quarter of this year, the joint venture between First Automobile Works and Volkswagen in Chengdu's Longquanyi district produced vehicles worth 9 billion yuan (\$1.47 billion), enabling the district's GDP to hit 18.26 billion yuan, up 17.8 percent year-on-year. The FAW-VW operation is expected to produce 479,000 cars this year. FAW-VW Chengdu uses the same quality control system as VW factories in Germany to ensure "made-in-Chengdu" quality.

Giant mall complex

The Chengdu Global Center complex with a marine park, hotel, theater and a cinema will open in the heart of Tianfu New Zone on June 28, according to a company statement on May 8. The mall has a gross area of 400,000 square meters with five floors available for retail space. With the first professional ice hockey rink in Southwest China, it is capable of hosting international games.

New arrivals in Tianfu

Some 1,080 new companies were registered in Tianfu New Zone in the first quarter of this year, according to a Chengdu High-tech Zone report released on May 10. The new companies brought in total registered capital of 22.6 billion yuan, an increase of 39.35 percent over the previous quarter. Sixteen of the companies have registered capital exceeding 100 million yuan. "Investors are confident about the emerging market in the high-tech zone," said a local government official. "The Fortune Forum is a new opportunity for us to attract more international attention and investment."

Environmental center

The first Energy Saving and Environmental Protection Exhibition Center in Southwest China opened in Chengdu's Jintang county on April 16. With its first phase of 10,000 square meters including 300 booths and 100 negotiation rooms, the center will house the Energy Saving and Environmental Protection Equipment Manufacturing Expo later this year.

Entertainment systems

The joint venture between CETC Aviation Electronic Equipment Co and Thales Group from France went into operation on May 9 in the High-Tech Industrial Development Zone. The facility will provide an entertainment system for the C919, a large commercial airliner built by Commercial Aircraft Corp of China, known as Comac. The company has now received 380 orders from Comac.

Rising foreign trade

Sichuan reported \$20.69 billion in foreign trade in the first quarter of this year, up 29.5 percent year-on-year, enabling it to top the provincial economies in mid-west China and rank 10th nationwide. The provincial capital Chengdu was the largest contributor with \$16.57 billion. During the same period, the province's exports increased 34.2 percent to \$13.69 billion, while its imports grew 21.3 percent to \$7 billion. The Southeast Asia surpassed the United States to become the province's largest trading partner with \$3.77 billion in trade volume.

—ZHUAN TI



ZHOU SONGLIN / FOR CHINA DAILY

Worker at an electronics company in Chengdu. The capital generates the largest foreign trade in Sichuan.