# IT companies flock to Xi'an

lifusheng@chinadaily.com.cn

Xi'an, capital of Shaanxi province, is home to the largest overseas investment project in western China now that Samsung Electronics has kicked off construction on its \$7-billion chip plant in the city's high-tech industries development zone earlier this

The plant is expected to generate annual sales revenue of 66 billion yuan when it becomes fully operational by the end of 2013, according to the administrative committee of the Xi'an High-tech Zone.

Wang Chao, vice-minister of commerce, said the project will take a lead in helping boost the IT and information industries in western China as a

Samsung is the latest of more than 20 Fortune Global 500 companies that have invested in the zone since 2011. However, attracting these companies was no easy task, local officials

Xi'an was not even on their list at the very beginning, said a senior leader of the South Korea-based con-

sumer electronics maker. Xi'an's success in beating rival cities and finally winning the favor of those industrial giants is because of a combination of reasons, said Zhao Hongzhuan, a senior official in the Xi'an city government and director of the high-tech zone.

Among them is the government's support for attracting enterprises,

The local government officials impressed Samsung with their great enthusiasm for the project, and that helped the company make its final decision, said a senior Samsung offi-

"We are trying our best to benefit all enterprises," Zhao said.

### **One-stop services**

As part of its effort to streamline administrative procedures, the zone has put together 25 departments so enterprises in the zone can enjoy onestop services, Zhao said.

Since last April, the zone has also made more than 20 administrative services free of charge, including business registration, which has helped a number of new startups get off the

On average, 16 companies have been registered in a regular working day since the introduction of the favorable measure, Zhao said.

The zone's sound industrial foun-

engaged in the IT industry are locat-said ed in the high-tech zone, including a number of world-famous enterprises, such as Applied Materials, Ericsson, GE, Huawei, Micron, NEC, Qualcomm, Semtech Electronics, Walsin

A report from the zone's administrative committee shows that these IT companies employed 60,000 people and generated combined sales revenue of 65 billion yuan in 2011. Sales revenue in the IT sector saw a yearon-year increase of 29 percent that

With Samsung's arrival, the zone is expected to see a more comprehensive industrial cluster, Zhao said, adding that the company will attract 160 companies in supporting industries and, together with them, provide at

#### **Geographic center**

Another factor that makes the city attractive to businesses is its location, said a senior city official.

Located in the geographic center of China, cargo and services from Xi'an are within reach of a consumer base that numbers 700 million, all of which lie within a 1,000 km radius.

So it is convenient for enterprises in the zone to bring raw materials into the zone and deliver finished than 1,000 of Xi'an's 2,600 enterprises products across the country, Zhao

> Once the beginning of the ancient Silk Road, the city is now an important node of the Eurasian Land Bridge railway, which stretches from Lianyungang port in East China's Jiangsu province to Belgium, passing through more than 40 regions and

Due to Xi'an's strategic location, the central and local governments have been hard at work to improve its infra-

Official statistics show that as of 2011, the length of expressways in Shaanxi province was 3,800 km, the most in western China, and another 170 billion yuan will soon be invested to build more.

Another factor that helps attract enterprises is the city's rich human and scientific resources.

Xi'an has nearly 100 universities and colleges, a number that is close behind such metropolises as Beijing and Shanghai

These institutions turn out more than 200,000 graduates every year, offering a steady and sufficient supply of human resources for local enterprises, said an official of the high-tech

Fu Hui, managing director of Intel local enterprises, said the official of Mobile Communications Technology, a design firm for 3G-based band chips, said that without the huge talent pool in Xi'an, it was impossible for the company to increase the

Xi'an also has a large number of science and technology research institutions, another source of benefits for

number of its engineers and techni-

the high-tech zone. Since April 2011, the zone has carried out a campaign to encourage these institutions to share their research and testing equipment with local manufacturing companies, a move to help slash costs of local entercians from 180 to 260 over the past

> Now enterprises have access to more than 2,500 pieces of large equipment across the city, he added.



The high-tech zone has gathered nearly 40 percent of Xi'an's IT companies, including operations by such big names as Samsung, Applied Materials, Ericsson, GE, Huawei, Micron, NEC, Qualcomm, Walsin and ZTE.



also helps attract new companies, The Xi'an high-tech zone is rated as a key 'software park' for the nation

# World-class high-tech zone rising in the west

By LI FUSHENG lifusheng@chinadaily.com.cn

Since its establishment in 1991, the Xi'an High-Tech Industries Development Zone in Northwest China's Shaanxi province has made big strides toward its goal of becoming a worldclass zone in the sector.

square kilometer zone is now home of the zone. to 16,800 enterprises that generated 328.36 billion yuan (\$52.2 billion) in revenues in the first seven months of its \$7 billion flash memory chip plant 2012, 30 percent more than the same earlier this month, just five months

"Another big stride has been made with the arrival of Samsung Electron-

Official statistics show that the 307 ics," said Zhao Hongzhuan, director

The South Korean consumer electronics maker began construction on after the contract was signed.

The project, the largest foreign in the zone after Samsung's arrival, investment in the information and

to follow suit. A US-based chemical engineering company, which once refused

Zhao said. In addition to luring companies with the help of giants like Samsung, the zone has long been

> "We have good infrastructure and we are spending to improve it," Zhao said, noting that the zone invested 22.47 billion yuan in infrastructure zone has negotiated with Standard

the invitation to invest in Xi'an, has

decided to build a \$2 billion project

from January to July alone. The zone now 17 national-level industrial parks for opto-electronics, software and integrated circuits, as

well as 23 business startup parks. With a combined area of more than million square meters, the startup parks have now produced more than 1,200 companies, according to a

report from the high-tech zone. The zone's administrative committee also encourages engineers and college graduates to start businesses by offering free administrative ser-

"This means that combined they can save around 20 million yuan per year," said Zhao, adding that the measure is expected to help add around 3,000 new companies each year her established in the zone.

"We will try to help around 10,000 new startups in five years so that they

electronics industry China has ever can ensure the zone's sustainable received, is already attracting others development," Zhao said. As part of the campaign to drive

growth in new companies, the zone authorities also help facilitate access The local Chang'an Bank has set up

a branch to offer financial support to small and medium-sized technology

Others including Bank of Xi'an, China Merchants Bank and China attracting them through its own Construction Bank, are expected to soon follow, according to Zhao. Since many new companies have

few hard assets — a frequent prereq-

uisite for banks to lend money — the

Chartered Bank's local branch to offer small, unsecured loans to micro and small enterprises "Such loans, usually ranging from 300,000 to 1.5 million yuan, can provide them with the funds they require

In addition, the high-tech zone itself has earmarked 1 billion yuan per year to boost development of some industries including IT and electronics, according to reports in Xi'an Daily.

to go ahead," Zhao said.

Official statistics from 2011 show that 13 companies had revenues of more than 10 billion yuan each, 64 generated 1 billion yuan and 265 had 100 million yuan. The zone is now home to 50 listed

companies, 60 percent of all publicly traded companies in Shaanxi province. The figure is expected to reach 100 by 2015, Zhao said.

consumer electronics giant Samsung companies, whereas Xi'an has 80. **Changing fortunes** Zhao said the lack of mega projects has been the main reason Xi'an has

more than \$10 billion in the same year.

To catch up with Xi'an's peers in the

March last year that the company had

Just like other cities in western

the three for large multinational com-

Shaanxi's capital becoming more competitive

against peers Chengdu and Chongqing

For Zhao Hongzhuan, it was a panies. Both Chongqing and Cheng-

dream come true in April, when du have more than 200 Fortune 500

Groundbreaking for Samsung's new flash memory plant in Xi'an high-tech zone, the largest foreign investment ever made in western China.

In the days preceding the lagged in economic growth as well as announcement, a mixed feeling of foreign investment. "Huge projects attract a great numanxiety, pressure and excitement had gripped Zhao, the director of ber of satellite companies. The Samthe administrative committee of the sung investment is testimony to other big names that Xi'an is the place to Xi'an High-Tech Industries Development Zone, which will house the be," he said. In 2011, Xi'an had a GDP of 386.4

He said he felt unsure and was billion yuan (\$60.78 billion), while concerned that the largest foreign that of Chengdu was 685.5 billion investment by value in western China yuan and Chongqing, 1 trillion yuan. would bypass Xi'an for other loca-In terms of foreign direct investment, tions, such as Chongqing. Xi'an saw a 30 percent year-on-year

But what he was sure about were increase to around \$2 billion in 2011, the benefits that the project would while Chongqing's FDI hit a record of bring to the capital of Shaanxi prov-

By MENG JING and MA LIE

the city's high-tech zone.

Electronics Co chose Xi'an for its

largest overseas investment project

ever — a \$7-billion chip factory in

"Samsung has come, and so will west, Zhao was determined to attract other large multinationals," Zhao Samsung as soon as he heard in late

According to an agreement a plan to house a multibillion-dollar between the city and the company, project in China. Zhao had heard Samsung Electronics will build a fac- from various sources that Samsung the end of next year to produce the China. phones and tablet computers.

tial list of top choices, and it seemed "The project will not only reshape like an unlikely candidate at first to the semiconductor industry in Xi'an Jonathan Story, emeritus professor but also bring momentum to the city, of International Political Economy which has set a goal of becoming an at INSEAD, one of the world's leadinternational metropolis by 2020," ing and largest graduate business schools

Zhao said. Xi'an was absent from Story's In the glory days of ancient China, Xi'an was the capital of the Tang investment guide, titled Winning Dynasty (AD 618-907) and the big-China's Markets in 2010, which introgest metropolis worldwide, with a duced dozens of promising business population of nearly 1 million. But regions in China, including Chengdu in modern China, the city's glory has and Chongqing, to European comoften been overshadowed by coast-panies. al cities in East China and to some

extent by its peers in the west. Along with Chengdu, capital of Samsung's can be an excellent start," Sichuan province, and the Chonqing he said. municipality, Xi'an is one of the major economic centers in the western China, Xi'an clearly has advantages

the least attractive destination among economic context of rising labor and other costs in coastal China.

Korean project marks start of new era

### **Transport links**

Though Xi'an has no river to move cargo across China, it is on the route of the Eurasian Land Bridge railway, which connects Lianyungang port in East China's Jiangsu province to distant Belgium.

The central and local governments have been working constantly to improve the infrastructure of the city. Shaanxi province built the most expressways in western China in 2011 and plans to spend 170 billion yuan to build more, which will further take advantage of Xi'an's strategic

Zhao, the representative of the development zone, said low costs and maturing infrastructure enable Xi'an to enter a new stage of growth that is further made possible by Samsung's investment. But putting Xi'an on

Samsung's list was a challenge. "It is tailor made for Xi'an because the city has had a solid foundation for the development of the electronic information industry, which is made up of more than 2,600 companies," said Zhao, adding that the advantages tory in the Xi'an high-tech zone by had started evaluating 11 cities in Xi'an has in this sector lie in its local **Satellite companies** 

lege students graduate every year. There are also around 40 colleges and universities equipped with courses in electronic information as well as 50 electronic information research institutes in the city.

According to Samsung's press statement, the steady stream of talented people generated by the city's large amount of university and research institutions was among the key reasons the company chose Xi'an over other cities.

Fu Hui, managing director of Intel Mobile Communications Technolgood reputation, and a project like ogy, said "Xi'an is no doubt the incubator for IT talent in China, but it used to be difficult to retain them after they graduated".

region. However, Xi'an is perceived as in manufacturing, given the macro-challenge five years ago was to pre-

top-tier cities, such as Beijing and a number of new customers in the Shanghai. "The situation has changed since

2008, when Xi'an's economy started

to take off and more companies, such

vent its employees from going to the company "has already signed

than 20 years.

December.

pros and cons.

**Shifting gears** 

is another, Jun says.

region". The company has been serv-

Xi'an made it to Samsung's final list,

along with Beijing and Chongqing,

after a number of meetings between

Shaanxi government officials and

senior management of Samsung in

But Samsung did not reach its deci-

sion until mid-March, said an official

surnamed Jun at the consulate gen-

eral of the Republic of Korea in Xi'an.

them to make," said Jun, who went

back to Seoul in mid-March to visit

Samsung's senior officials only to find

that they were still weighing Xi'an's

The government's ability to man-

age a project of such scale is one con-

environment, such as international

schools and international hospitals,

"There will be at least 1,000 Kore-

ans moving to Xi'an with their fami-

but also from its Korean suppliers," he

says, adding the city, which has not

had its "foreign invasion" yet, does

Before Samsung, the largest for-

"They did have concerns in March

eign investment Xi'an had received

was worth \$600 million, Zhao said.

and wanted to talk to government

officials again, so we set up a meeting

of Shaanxi province for them the

following day after receiving their

"Their great enthusiasm was so

impressive that it triggered our final

decision," said Kwon Oh-hyun, CEO

Zhao said that to advance Sam-

sung's project, three offices at the

provincial, municipal and the devel-

Contact the writers at malie@china-

opment zone levels have been set up.

requests," he said.

of Samsung Electronics.

with the governor and vice-governor

"It was a very difficult decision for

ing Samsung Electronics for more

as Intel, came to the city, offering more choices to local professionals," he said, noting that large projects, such as Samsung's will attract more talent from coastal cities to return Dong Xiaotai, HR service manager

of the Xi'an High-Tech Industries Development Zone, has been working with Samsung Electronics to hire people for the project. He said an increasing number of people are now interested in working in the city.

"We have decided to hire people from other cities for the Samsung project to prevent poaching of employees from other companies in Xi'an. The attractiveness of Xi'an and Samsung has been beyond my expectations," said Dong, adding that he is on his way to job markets in Suzhou, Dalian, Shenzhen and Chengdu to

It is expected that Samsung will cern. The lack of an international hire a large number of local people, from managers to technicians, for this project. Official statistics from the Shaanxi government suggests that as many as 13,000 job openings will be created by the company's lies, who are not only from Samsung investment in Xi'an.

The increasing attractiveness is not not seem quite ready to embrace such ment in Xi'an is also set to attract other satellite companies to the region. Zhao said dozens of Samsung sup-

pliers have contacted the zone and as many as 13 of them have confirmed plans to invest in the city. "The US-based Air Products is one typical example. We invited them

to invest in the zone last year, but they were reluctant to do so. But around 15 days after Samsung made its announcement, the US company came to us again with an investment plan," Zhao says. Air Products, a worldwide supplier

of industrial gases and performance materials, equipment and services, announced the grand opening of an engineering office in Zhao's zone in He added that his company's top late April.

According to its official statement, daily.com.cn

# Samsung's \$7 billion vote of confidence

By ERIK NILSSON

Groundbreaking on the new \$7 billion Samsung Electronics NAND flash memory plant in Shaanxi province's capital Xi'an on Sept 12 heralded western China's biggest foreign investment and Samsung's largest in the country.

It is also the company's biggest overseas investment in chip manu-

Xi'an beat out Beijing and Chongqing as home of the company's second semiconductor plant outside Korea. The IT giant built its first overseas plant in Austin, Texas 16 years ago.

Chongqing and Sichuan province's capital Chengdu have been competing with Xi'an to become the commercial hub of the country's underdeveloped western regions,

especially in the IT sector. "The move is sort of unheard of before at Samsung, not only in the scale of investment but also in the technology we would like to transthe China facility will improve Samfer to the Chinese side," Kwon Ohhyun, Samsung's semiconductor device solution unit's vice-chairman, told China Daily earlier.

"We expect to create a miracle

After it becomes operational at the end of 2013, the factory in the IT advisory Gartner expects the Xi'an High-tech Industrial Develfigure will rise to 55 percent within opment Zone is designed to produce 100,000 10-nano-level chips used for high-speed and large-density data storage each month. It is expected to generate 66 billion yuan (\$10.4 billion) in annual sales.

"Xi'an wasn't even on the list at the beginning," Kwon said."(The local government's) great enthusiasm was so impressive that it triggered our decisions."

## **Advantages**

Senior Samsung Vice-President Their top concern about Xi'an is Kim Yong-kwan agreed that Xi'an offered more advantages than other that the city lacks experience handling big projects from multinationpotential sites.

"Power and water supplies, as well as wastewater treatment in Xi'an, are in support businesses. some 20-30 percent cheaper than in other cities," Kim said. "And its labor costs are around 40

percent cheaper. Such cost advantages are very important."

The factory's first phase will cover 448,000 square meters, which is projected to grow to 1.1 million sq m at build out.

an exceptional talent pool. duce more than 17,000 graduates

with IT majors every year. Samsung plans to forge relationships with those local universities. ture for the project for free. It signed an agreement with Xi'an's Northwestern Polytechnical University the day before the factory's groundbreaking that included the establishment of the China Samsung scholarship for graduates who excel in the IT field.

It also hopes to expand cooperation with local institutions of higher learning to include exchanges to accelerate development in Chi Xi'an's universities to schools in

made the city the best option for east of the country.

Samsung, which is looking to expand its presence in the Chinese market, the company said.

The IT titan is doing so at a time of fierce competition in the sector.

"The new Samsung China Semiconductor Fab (fabrication plant) will lav a solid foundation for continued supply of leading memory components, enabling Samsung to further spearhead the advancement of the IT industry and enhanced user experiences," Kwon said at the groundbreaking

The event had 600 participants in attendance including government dignitaries from China and South Korean Ambassador to China Kyu Hyung Lee. "The new Xi'an production facili-

ty will help balance Samsung's global production network," the company said in a statement released at the groundbreaking. "Reinforcing the company's sup port for its customers worldwide,

sung's global supply chain, making it easier for many of its customers to expand in the region." About half of the NAND flash memory chips produced globally were sold in China in 2011. accounting for \$29 billion in sales.

There are already more than 2,600 IT enterprises in Xi'an. The city's high-tech zone already hosts such big names as GE, Ericsson and Applied Materials.

Xi'an Mayor Dong Jun said the completion of the Samsung project will bring the city's IT scale up to 300 billion yuan by 2015.

The city government hopes the project will boost employment and lift its economy, which has lagged behind Chongqing and Chengdu in western China.

Samsung estimates the completion of the project's first phase will create 10,000 jobs including those

Shaanxi Executive Deputy-Governor Lou Qinjian said the Samsung

plant will lure more than 160 support companies to the hi-tech zone. "Samsung's selection of the project site in Xi'an will make the

industries stronger and stronger," Samsung also believes Xi'an offers the high-tech zone said in a state-The city is home to nearly 100 "We will continue concerted iniversities and colleges, and about — cooperation with Samsung Elec 100 research institutes, roughly 50 tronics to fulfill win-win benefits

urban competitiveness of Xi'an and

the bearing capacity of high-end

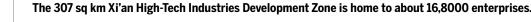
of which specialize in IT. They pro- and jointly create a highland for the IT industries of a new generation." To this end, the high-tech zone provided the land and infrastruc-

> "With the Samsung project, Xi'an will make great strides in the development of its IT industry," Xi'an Mayor Dong said.

Samsung's investment in Xi'an's

high-tech zone is viewed as a landmark event in the go-west campaign launched by the central government in 1999. The campaign is designed bringing Chinese students from na's westernmost 12 provinces and autonomous regions, and Chongqing municipality, which have long The advantages Xi'an offered lagged behind development in the





#### The Xi'an R&D center for Applied Materials, a Silicon Valley-headquartered multinational that provides equipment services and software for the semiconductor, flat panel display and solar photovoltaic industries.