

# Can do! Chengdu!

By staff reporter JIAO FENG

**C**HENGDU can do!" exclaimed Ge Jun, managing director of Intel China, when he witnessed the one billionth chip roll off the production line at the company's Chengdu plant in January 2012. Now, his words have become the tagline of Chengdu's promotional ads.

From June 6 to 8, the southwestern city hosted the 2013 Fortune Global Forum, the fourth Chinese city to be honored as such following Shanghai, Hong Kong and Beijing. More than 600 political and business leaders from all over the world participated, attending discussions focusing on the "Chinese century," "sustainable development," "innovation and science and technology," and "global finance and economic recovery."

The forum became a platform for China's western provinces, represented by Chengdu, to demonstrate to the world the region's potential to shape the country's future. The area is emerging as the new engine of China's economic growth, a new frontier full of promise.

The forum is a gathering of leading international policy makers and business leaders.





## Why Chengdu?

When the Fortune Forum first came to China in 1999, the Western Development Drive was only a blueprint. When the Forum reappeared in Chengdu 14 years later, the drive was in full force, dramatically changing the economic landscape of western China. As Fortune Managing Director Andy Serwer explained, from Europe to Asia and from Barcelona to Beijing, the Fortune Forum has been choosing host cities by looking at the context of global economic situations.

"The forum chose China's western inland more than it chose Chengdu," remarked the city's deputy mayor, Fu Yonglin. Last year Chengdu's GDP exceeded RMB 800 billion, and 238 of the world's top 500 companies set up operations in the city.

According to Serwer, the forum's touchdown in a western city signifies three ongoing socioeconomic trends in the Asian power: continuing growth of western provinces, urbanization (which has seen the most remarkable progress in western provinces), and economic restructuring, in which the western region is playing a critical role.

As transnational and domestic companies alike continue moving factories to the western heartland, a flood of IT and automobile manufacturers, both manual and hi-tech intensive, have settled in Chengdu. The city is now the source of two thirds of the world's tablet computers and half of microchips in high-end laptops sold globally.

Motorola set up a research and development center in Chengdu in 2001, which, according to Jiang Hao, president and country manager of Motorola Solutions, China, is part of the company's long-term strategy to tap the western market. Today, the facility has become a significant cog in the company's R&D mechanism.

Other electronic titans have also founded R&D centers in the city, including Nokia, Ericsson, Microsoft and Intel.

Chang Won-kie, president of Samsung Greater China, revealed that his company is steering its business core from the eastern coast to the western inlands, and Chengdu, a regional hub of the West, is a key investment destination for Samsung. Local operation is expected to cover a broad scope, including finance, medical care and other service industries.

Meanwhile, Chengdu has built a complete chain in auto industry that extends from research and development to manufacturing, marketing and other trades. It is the largest distribution center for auto vehicles and parts in western China.



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Left to right:  
DreamWorks Animation CEO Jeffrey Katzenberg, Executive Chairman of Alliance Boots Stefano Pessina, Wanda Group Chairman Wang Jianlin and TCL President Li Dongsheng.

Earlier this year, Volvo's first Chinese manufacturing plant, established three years ago, began production in Chengdu, and Volvo's first China-made model S60L is set to roll off the assembly line in large-scale by October. "We are planning to build a logistics center, a Volvo museum, a brand experience center and a training facility as well," said Hakan Samuelsson, the group's president & CEO.

One of Chengdu's goals is to become China's Silicon Valley. According to Li Changhong, deputy chief of the city's Economy and Informatization Commission, mainstream businesses in the local software and IT service industry brought in revenue topping RMB 170.15 billion, the most among all cities in central and western China. Alex Atzberger, senior vice president of SAP AG, headquartered in Walldorf, Germany, believes that the central government is promoting the Western Development Drive, and Chengdu can become a national hub of mobile technology and cloud computing.

## Forum Brings Fresh Publicity

The success of the 2013 Fortune Global Forum won Chengdu fresh praise in the media as well as



from industry leaders and government officials from around the world. One fan was Time Warner Chairman and CEO Jeffrey Bewkes, who raved about Chengdu as an ideal cosmopolis.

An article in Singapore-based newspaper *United Morning Post* remarked that the host city of the Fortune Forum is not necessarily the most economically developed, yet hands down the most innovative and spirited. This is how Chengdu qualified to become the first western Chinese city to host the prestigious event in global business circles.

A report on the *Time* magazine website also pointed out that 12 of the world's top 500 companies are headquartered in the city famed for chubby giant pandas, spicy food and a care-free lifestyle.

The forum not only boosted Chengdu's economy but also its prestige. The three-day event helped seal 74 inbound investment deals with transnational companies, many on the world top 500 list, with total worth topping RMB 110 billion.

For local businesspeople like Liu Yonghao, board chairman of New Hope Group, China's largest animal feed producer, the forum is about much more than business. "Before the forum, it was difficult for a local executive to meet a peer from a Fortune Global 500 company," Liu said. "We had to fly to Beijing, Shanghai or New York. But yesterday, I held talks with seven or eight leaders of global 500 companies here in Chengdu." Liu believes that the forum brought the city and Chinese companies closer to the world.

"Chengdu, an open metropolis, is stepping into the world arena with a new image, and playing an increasingly significant role in global industry," proclaimed Chengdu Mayor Ge Honglin. "It is a window into China for people abroad and also a window through which Chinese people can learn from the rest of the world." ■

A craftsman renovates an inscribed tablet at Kuanzhai Lane that was laid in the Qing Dynasty.



# Chengdu: Foreign Investment Magnet

By staff reporter JIAO FENG

**W**HEN Intel announced 10 years ago that it would build a test and assembly plant in Chengdu at an investment of US \$375 million, few people outside China knew anything about the city other than that it is the habitat of the giant panda. The U.S. semiconductor and chip maker was the first world top 500 company to invest in the capital of Sichuan Province in southwestern China.

Global and domestic shifts in the economic landscape, coupled with the rise of inland cities, by virtue of its market potential and growing concentration of manufacturers located from around the world as well as the national government's efforts, have made it prominent on the radar of international investors.

At the end of 2012, Chengdu was site of 5,229 foreign companies whose registered capital amounted to US \$24.67 billion. During that year US \$8.59 billion worth of foreign investment was realized, 1.5-fold that of a decade ago. Imports and exports totaled US \$47.54 billion – highest among all cities in western China.

## Success Stories

Three additional investments later, the Intel operation in Chengdu has expanded to US \$600 million. Every two Intel laptop computers now carry a Maersk in Chengdu CPU.

Though well behind the semiconductor titan in its growing operation in Chengdu, the Maersk Group made a notable splash four years ago when it set up its global service center in the inland city. To many it seemed at the time an insane decision. The center has nonetheless grown fast and smoothly. It handles Maersk orders and cargo manifests from all over the world, and





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office space has extended from the original 3,425 to 9,000-plus square meters. The center is so important to the company that, in the event of a blackout any longer than two hours in Chengdu, Maersk has to kick off its global contingency plan.

The success stories of Intel and Maersk are not isolated cases. The five Chengdu stores of Japanese retailer Ito Yokado, for instance, are among the most profitable of all its outlets worldwide. That on the city's Shuangnan Road reports the highest revenues. After strong growth in Chengdu since it entered the city in 1999, French retailer Carrefour established

its regional headquarters there in 2004 for central and western China. The city is now its No. 3 business engine after Beijing and Shanghai, in terms of both store number and sales volume.

Today Chengdu is regarded as the Silicon Valley of western China. Thirteen of the world's top 20 software companies run operations in the city, and 20 percent of the world's computers and 70 percent of Apple's tablet computers are manufactured here. Last year, local IT industry revenues from mainstream businesses exceeded RMB 300 billion.

Meanwhile a confluence of the world's leading automakers, including Volkswagen, Toyota and Volvo, is elevating Chengdu into the exclusive club of China's automobile manufacturing bases. In 2012 375,000 vehicles rolled out of the city.

### **No Longer a Backwater**

Chinese people are traditionally ambivalent about Sichuan, famous for its hospitable climate and agricultural diversity, but also dauntingly hilly terrain. There is a saying that Sichuan is even less accessible

Craig R. Barrett, then chairman and CEO of Intel Corporation, joins Sichuan Party Secretary Zhang Xuezhong at the groundbreaking ceremony of a test and assembly plant in Chengdu on April 7, 2004.



The express train and its rapidly expanding network also conveniently connect Chengdu with China's other major cities.

than heaven. Poor transport was a major obstacle to local development for decades.

Today the former backwater has built developed highway, railway and aviation networks that make it a pivotal transport hub in western China.

Last year, visits to Chengdu's Shuangliu Airport topped 30 million. The city is now on 20 regular international passenger flight routes and nine regular international cargo flight routes. And more are planned. According to Chengdu Mayor Ge Honglin, the city is working towards direct flights to the U.S. next year. At present, the trip entails a stop in either Beijing or Shanghai, which unnecessarily prolongs it.

In August 2012, Chengdu inaugurated the regular cross-border cargo train to Duisburg, Germany, and in April 2013 that to Lodz, Poland. The latter is China's fastest cargo land passage to Europe. Chengdu-made products reach the continent about two weeks along the line, as compared to almost 30 days longer on shipping lines starting from China's east coast.

The express train and its rapidly expanding network also conveniently connect Chengdu with China's other major cities. In three to five years, the train journey to Chongqing will be shortened to one hour, and that to provincial capitals Guiyang, Lan-

zhou, Kunming, Xi'an and Wuhan to four hours. A trip to more distant Beijing, Tianjin, Hebei Province, the Yangtze River Delta and Pearl River Delta will take just eight hours.

Last June, PC giant Dell launched a new global operations site in Chengdu. According to Anand Kumar Midha, president of the Dell Asia Pacific and Japan region, eventually all Dell products will be produced in Chengdu and shipped from there throughout the world. "We have set our sights on the European market. From Chengdu – this pivot on the new Eurasian continental bridge – our products can reach Europe more quickly. That will be of huge advantage to Dell's global business," Mr. Midha said. Many international investors in the city share his feelings.

### Brain Power

For the 238 companies on the Fortune Global 500 list operating in Chengdu, one of the region's main draws is its pool of talent. "Intel chose Chengdu because of its strategic position, outstanding educational system, convenient transport and abundance of skilled workers," said Xu (Ian) Yang, vice president of Intel and president of its China operations. "The city is home to a number of higher learning and research institutions, which churn out a legion of technicians every year that man the hi-tech industry all over China. The cozy natural environment and lower living and business costs in the region induce many to seek employment locally."

The city stands out in southwestern China for its high density of universities and academic facilities. And the accelerating urbanization drive in western

provinces has unleashed a wave of migration from the countryside to cities, ensuring a ready supply of laborers for the area's burgeoning factories. Labor costs in Chengdu are 30 percent lower than in China's coastal cities, and the staff turnover rate is less than five percent. A 2011 survey by Kelly Services found that Beijing, Shanghai and Chengdu are the three cities where local workers have the strongest desire to stay.

At Maersk's Chengdu center almost all employees need to work on two computers to juggle business from countries ranging from Japan, Australia and New Zealand to Russia and Mediterranean countries. These jobs call for consummate

Japanese retailer Ito Yokado has a large store on Chunxi Road, a pedestrian shopping street in central Chengdu.







The Foxconn booth at the 13th West China International Fair held in Chengdu.

professional skills. "Our recruiters find that locally-groomed college graduates are just as good as those from coastal areas. They also display better teamwork spirit and commitment in our orientation and training programs for new employees," said Chris McGeoch, director of Maersk Chengdu GSC. "They are passionate, diligent, versatile and competitive in an all-around manner."

This commendation is echoed by WatchGuard Global CEO Joe Wang. WatchGuard Technologies, a Seattle-based provider of Internet security solutions and network security appliances, opened its fifth R&D center in Chengdu in 2011. "It took us only three months to complete the hiring cycle – from planning to recruiting dozens of highly qualified engineers. This was beyond our expectations," Joe Wang said.

### Business-Friendly Government

When Foxconn's Chengdu plant was launched in 2010, it had taken just 76 days from the start of con-

struction to the launch of the operation.

Vice President of Carrefour China Jean Marc Dumont attributes the French retailer giant's robust growth in Chengdu to the support of local government. "The municipal authority set up a service center for foreign investors back in 2004 whose staff consists of officials and professionals in specific realms. The mayor also meets heads of foreign-funded companies every quarter to listen to any problems they may experience and offer solutions. These measures are of substantive help to Carrefour stores in the city."

At the 2013 Fortune Global Forum, Mayor Ge Honglin once again promised businesspeople from around the world that the municipal government would be efficient, service-oriented and committed to intellectual property rights protection, improving infrastructures and other measures to help enterprises cut operation costs. Chengdu is, in effect, ready to nurture an environment that allows businesses ample space for growth. ■