



CAN DO! CHENGDU

CHINA DAILY 中国日报 CHINADAILY.COM.CN/SPECIAL

MONDAY, MARCH 11, 2013 | PAGE 17

FORTUNE GLOBAL FORUM GOES TO CHENGDU

Sichuan capital becomes the first western Chinese city to host the famous business meeting

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In 2008, when Chen Xiaoming was picking up a head of a Fortune Global 500 company from the airport, he was surprised at the contents of the man's suitcase — instant noodles, bottled water and candles.

Chen, who at the time was the deputy head of the auto industry investment service administration of the Chengdu Economic and Technological Development Zone, recalls that the executive, a first-time visitor, had heard rumors that the city suffered frequent shortages of water and electricity.

The anecdote shows how little Chengdu was known around the world at the time. But five years later, now that the city is a rising economic star with an international profile, any business leader worth his salt would be embarrassed to make the same mistake.

The city's growing economic clout is why Fortune Magazine selected Chengdu to be the host city of the 12th Fortune Global Forum, which is to be held from June 6 to 8. It marks the first time that the prestigious business meeting has been held in China's historically underdeveloped western region.

The decision also shows the increasing importance of Chengdu, which Fortune has selected as one of the world's best new cities for global business in the world economy.

Chengdu's GDP last year totaled 813.89 billion yuan (\$130.7 billion), making the inland city the third-largest economy among China's all 15 deputy provincial level cities.

It was just 390.1 billion yuan in 2008, the year when the world slipped into financial crisis. But Chengdu managed to achieve rapid economic expansion annually over the past five years amid global economic turmoil and slower growth nationwide.

The city's total trade volume with foreign countries reached \$47.54 billion in 2012, up 25.5 percent compared to the year before.

Per capita disposable income rose 13.6 percent to 27,194 yuan, greatly outpacing inflation, which was 3 percent last year, according to official figures.

The gap between rural and urban incomes has also narrowed gradually in the last decade. Rural incomes were at 37.6 percent the level of urban incomes in 2002, and by last year, that figure had risen to 41.5 percent. Roughly 35 percent of Chengdu's 14 million residents are rural, and their average net income per capita grew by 14.1 percent to 11,301 yuan in 2012.

Deng Ling, a professor on regional economy at Sichuan University, points out that developing a comprehensive model of economic growth rather than depending on any single sector is the key to Chengdu's success amid the global economic turmoil.

"Like Shanghai, Chengdu managed to transform from the old industrial base it was (before the opening-up and reform) into a comprehensive economy. It's not just a center for modern manufacturing but also one for finance, business and trade, logistics, culture and tourism," she said.

Deng said Chengdu cannot rely on overseas trade like coastal cities do, which is why domestic demand is the key contributor to Chengdu's rise.

She also added that Chengdu, compared to many other Chinese cities, has been more open and international, making it more attractive to foreign firms.

With 234 of the Fortune Global 500 companies represented, Chengdu is indeed the most popular investment destination in western China. Its actually utilized foreign capital in 2012 totaled \$8.59 billion, ranking highest among cities in western China.

It is currently the only inland Chinese city that appears in the 2011 and 2012 "Annual Top 10 Best Foreign Investment Strategy Cities in Asia and the Pacific Region" published by UK newspaper the Financial Times.

Andy Serwer, Fortune magazine's managing editor, has called Chengdu "a dynamic magnet for multinational companies".

"Chengdu is the ideal location and a perfect city for the event thanks to a number of attributes: its ability to attract multinationals, its 15 percent GDP growth as well as its advantages in transportation, education and resources," he said.

Chengdu has attracted famous companies from all over the world, including shipping and oil conglomerate AP Moller-Maersk Group, consultancy firm Accenture, delivery service provider DHL Express, e-commerce giant Amazon and cement company Lafarge.

Housing a total of 60 banks and 69 insurance companies, the city has the highest concentration of



A bird's eye view of Chengdu

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financial services in central and western China. It has 14 foreign banks and 15 foreign-funded insurance companies, which is also more than any of its peers in the region.

Go west, go Chengdu

The path to achieving these milestones began when the country launched the Great Western Development Strategy in 2000.

Before that time, Chengdu was not seen as an international city, and it had little global profile, according to Chinese media report.

That year, 30 of the Fortune Global 500 set up operations in Sichuan, and McDonald's opened its first restaurant in western China in Chengdu.

The national strategy brought Chengdu new momentum. A key element of the blueprint was introducing and supporting the development of the IT industry in Sichuan.

Intel, the world's largest semiconductor maker, announced in early 2003 that it would set up a factory in Chengdu to test semiconductor chip packages. The plant began operating in 2005. Now, one out of every two of the laptop microchips made in the world is produced in the city.

In an interview with Sichuan Daily, Ge Jun, executive director of Intel China, called Chengdu a "legend" and a "typical example of western China's openness and integration into the global economy".

He says his company, which has invested a total of \$600 million in Chengdu since 2003, would release a report at the upcoming Fortune Forum to sum up its

decade-long history of investment in Chengdu and forecast the future.

Many other IT giants are following Intel's lead, including Dell, Lenovo, Foxconn, Compal Electronics and Wistron.

Local leaders say that foreign investors are drawn to Chengdu because of its talent pool and global traffic network.

In 2011, Kelly Services, a leading global human resources company, and three Chinese professional agencies released the Kelly Services Global Employee Index Research Report, which ranked Chengdu, Beijing and Shanghai as the top three cities in China in terms of talent retention.

Chengdu is the fourth-biggest air hub in China behind Beijing, Shanghai and Guangzhou. The Shuangliu airport had a total of more than 30 million passengers in 2012.

A direct flight between Chengdu and Melbourne, Australia, was opened on Feb 28, bringing the airport's total number of direct international routes up to 28 and linking major cities like Amsterdam, Bangalore and Singapore.

Flights to Paris and London are planned. The airport aims to have more than 30 international direct lines by the end of 2013.

Chengdu also owns the biggest railway container hub in Asia. In 2012, it opened two direct rail freight services that connect to Europe — one to Duisburg, Germany and another to Lodz, Poland.



The third phase of the Tianfu Software Park

China's 'paradise' for consumers is reborn in the west



ED ZHANG

Can China continue to be a global powerhouse of economic growth?

To answer the question, one must examine the country and its cities inside and out.

A good starting point is Chengdu, the host city for the Fortune Global Forum 2013. Located in the western part of the country, Chengdu used to be a traditional business hub rooted in vast paddy fields nourished by water from Dujiangyan, one of the world's oldest and largest known irrigation systems.

The ingenious waterworks were built around 256BC, 35 years before China's first emperor unified the country. It was a symbol of China's advancement, signifying the early ripening of agricultural civilization.

The abundance of agricultural products available in Chengdu's surrounding Sichuan province earned it the name "Tianfu Zhiguo", meaning "consumers' paradise".

Though the heyday of local agriculture may have passed and the city is more than 1,000 kilometers from a seaport in any direction, Chengdu is not on the sidelines in the era of globalization.

Just as Chengdu's 2,500-year-old water works are still in use today, the city, with a population of more than 10 million, has become an increasingly important modern business hub in China's interior.

Last year, the city registered more than 813.89 billion yuan (\$130.7 billion) in GDP, almost equivalent to half of the city of Beijing, or 40 percent of Shanghai.

Much change has come to Sichuan province. A driver of growth in China's reform era, its economy grew from 18 billion yuan in 1978 to more than 100 billion yuan in 1991, 500 billion yuan in 2003, and 1 trillion yuan in 2007.

Despite a devastating earthquake in 2008, the province's GDP exceeded 2 trillion yuan in 2011 and expanded further to 2.38 trillion yuan in 2012. It has a plan to raise its GDP to 3 trillion yuan in 2015. A record of development like this is a marvel even at a time when the whole country has been leading the world in economic growth.

Chengdu generates almost 35 percent of Sichuan's economy. But now that the urbanization ratio hovers around only some 40 percent in Chengdu's surrounding areas, the city can still contribute a lot to the country's future changes by absorbing more people into its urban environment and providing services to nearby areas.

Progress has been remarkable so far. As an example of the city's modernization and open economy, city officials like to cite the increasing presence of international corporations in the city, especially inside the newly developed Chengdu Hi-Tech Zone.

Distance can no longer isolate the city from the rest of the world. It now has direct flights to such international destinations as Amsterdam, Bangalore and Vancouver as well as regular cargo trains to Europe.