CHENGDU FORTUNE

City works on integration of its vast area

Function divisions among counties, districts foster healthy competition

By ZHENG YANGPENG in Beijing
and **LI YU** in Chengdu

In October 2012, the Chengdu municipal government issued a comprehensive plan to better integrate the core urban area with its vast outer layer areas, a landmark step toward the city's full integration.

POLICY

Unknown to most outsiders, the pan-Chengdu metropolis comprises more than 20 administrative units, and has an area of 12,400 square kilometers, equivalent to 10 New York Cities.

But the outer-layer areas are far more underdeveloped than the core urban area.

In 2011, the GDP of Jinniu district, the largest economy in the pan-Chengdu metropolis, was eight and a half times of that of the county with the smallest economic size. The core urban area, which accounts for only 4 percent of Chengdu's, accounts for half of the area's economic size. The counties within the third layer of the area account for 70 percent of the land but produce less than 17 percent of the GDP.

In Chengdu government's development outline, the swath of districts and counties within the pan-Chengdu area is compared to a flight of wild geese. Like geese, the six districts in the core urban area, like the head geese, should fly higher in the sky; the six districts or counties in the second layer of the area should compete with each other; and the eight cities and counties in the third layer should see leapfrogging development.

A major feature of the "full integration strategy" is that the Chengdu government clearly planned every economic function of the districts.

For example, western Chengdu is designed to develop high-tech and emerging industries, while the eastern section of Chengdu is designed to focus on high-end manufacturing such as the automobile industry.

The core urban area should gradually exit manufacturing and accelerate the growth of modern service industries. The second layer should strengthen its manufacturing and cultivate corresponding service industries. The third layer should develop its manufacturing and optimize its agriculture and tourism industries.

To avert vicious competition among districts, the Chengdu government stipulated that district that attract enterprises that are not in line with its function will be punished, while those that introduce enterprises they get to other, more suitable districts can enjoy a portion of the revenue the enterprises produce there.

A vivid example

Amid the roar of the machines, bags of wheat were processed into flour on the automatic production line. Outside the factory, three rails transported the goods to every corner of Sichuan province.

This is the production base of COFCO, China's largest State-owned oil, cereals and foodstuff trader and manufacturer, in Xinjin, a county in the third layer of the pan-Chengdu area.

In June 2012, the brand-new park was built in just 13 months. Given the sheer size of the park (1,253 mu, or 83.6 hectare), it was an incredible feat.

"The park comprises six major business units and 10 subprojects that can process wheat, rice, oil, feeds, starch sugar, and could be used as a warehousing center," said Yang Haitao, a manager of the COFCO Chengdu Industrial Park. "It is COFCO's first all-function production center in China."

Previous COFCO bases were all located in China's coastal areas, and each focuses on only one or two business.

Several factors have persuaded COFCO to spend 2.2 billion yuan ($354 million) to build the facility in Xinjin, a county 28 km from Chengdu's downtown, Yang said.

The huge market in Sichuan, and possibly the entire Southwest China region, is the largest attraction for COFCO. Though the majority of the raw material the base needs is imported far from other regions of China, the base allows COFCO to deliver its products quickly and cheaply to surrounding markets, which could offset the cost of raw-material logistics.

After finishing the second phase of the project, which Yang said could happen in June, more rail lines will connect the base to Sichuan's major railway network. The transportation will be much more convenient, and output will be doubled.

Xinjin's convenient transportation, as well as the favorable offers from the local government is another attraction.

The local government promised COFCO it would build the 3.5-km-long railway outside the park, and granted the park 133 hectares of land.

Now the base is the largest project in the Xinjin Industrial Park. Nearly 400 local jobs were generated, and 300 million yuan of tax is expected in 2013.

COFCO's base is one of the many projects that landed in Xinjin Industrial Park. By now, the park has attracted 10 Fortune 500 companies, nine Chinese State-owned enterprises, and eight of the largest Chinese companies, according to government statistics.

The 16-square-kilometer park has already formed an industrial agglomeration focused on new materials. In 2012, the park's industrial output hit 6.67 billion yuan, a 23.1 percent year-on-year growth.

Under Chengdu's full-integration strategy, the Xinjin government has partnered with Wuhou district, a district in Chengdu's core urban area. Wuhou district, the home of many large companies' headquarters, encouraged these companies to put their production facilities in Xinjin. Various other cooperation was also unfolded in education, healthcare and talent exchange.

A report by Chengdu's Municipal Commission of Economy and Information Technology said that the third layer area's advantage in cost, space, and environment capacity has emerged. The fully integrated pan-Chengdu area could serve as a growth pole for western China.

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A bird's eye view of Chengdu's downtown area. The core urban area accounts for half of the city's economic size.

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ZF Friedrichshafen sees domestic market as key to Asia-Pacific region

By SHI JING in Shanghai
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German automobile driveline and chassis technology supplier ZF Friedrichshafen AG turned a lot of heads during last week's Auto Shanghai exhibition with its innovative products.

Jurgen Holeksa, the group company's chairman of Asia Pacific and also executive member of the management board, said that he has high hopes for the market.

Last year, the company's China sales reached 2.1 billion euros ($2.7 billion), accounting for 20 percent of the total sales in the ZF group. Holeksa said he aims to increase sales by about 15 percent this year.

The growth rate of the Chinese market reached 22 percent in 2012, slightly outperforming the Asia-Pacific region as a whole. Together with North America, sales in the region are driving the growth of ZF group as the market in Europe continues to stall.

"While the entire ZF group's growth rate came to 12 percent, it would have been much lower if China had not contributed so much. This is why we are quite happy with China last year," he said.

By offering outstanding technologies and products, the company aims to be a part of the tremendous growth taking place in the nation.

"There are a lot of growth opportunities for the automotive industry in China. China is the biggest automotive market commercially, especially already in passenger cars," he said.

The company intends to increase its footprint here by offering and delivering outstanding products, extending production capacities and increasing engineering capabilities.

As of the end of last year, ZF has more than 5,000 people working in China. Holeksa said they intend to increase that number by 20 percent in 2013, which means an additional 1,000 new employees will be hired during the year.

The company plans to increase the number of engineers in its Engineering Center in Shanghai by as much as 70, which means a good proportion of the new employees will be working in engineering-related divisions.

ZF has been working in the Chinese market ever since 1980. Over time, it has achieved considerable growth here, with 24 production facilities, three after-sales service stations and trading companies, as well as 34 service centers.

The very first domestic operation was a joint venture. Last year, ZF set up another two on top of that.

"The majority of our businesses are still joint ventures. It is very important for us to have partnerships with local OEMs and local buyers," said Ye Guohong, president of ZF China.

The company also set up the engineering center in Shanghai in 2010 that networks with seven other main R&D centers all over the world.

Ye said they only have about 10 Germans working in the center, while the remaining 140 are all Chinese.

When asked what markets the Shanghai Engineering Center will serve, Holeksa said it is mainly dedicated to research and development of applications for Chinese customers.

"It is envisioned that the center will be the heart of the entire Asia-Pacific region because of the size and the importance of the Chinese market," he said.

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>
> JURGEN HOLEKSA
> ZF GROUP CHAIRMAN OF ASIA PACIFIC