

Watch out Shanghai, here comes Tianjin

Watch out Shanghai and Shenzhen, here comes Tianjin!

That's the message Tianjin mayor Dai Xianglong sent investors, during his recent visit to London, stressing his aim to make his city as hot a foreign investment target as the two boom zones further south.

He is determined that Tianjin will no longer be dismissed as the industrial sidekick, obscured by its near neighbour, Beijing.

Tianjin is already the world's ninth biggest port and is aiming for its Binhai (coastal) New Area to become a key investment zone for high tech and service industries.

Mayor Dai sees Tianjin as evolving into a hub of the northern Bohai bay region, forming an export and hi-tech backup for cities such as Beijing, Qingdao and Shenyang while taking full advantage of its proximity to the centre of power in the capital.

Tianjin is China's third largest city, with a population of over 10 million, but is often overlooked as an investment location. Dai admits that compared with the Shanghai area and the Pearl River Delta, Tianjin's "overall development still lags behind," but says the central government has given his city its full backing in its plan to catch up with and even overtake its rivals.

Dai, a former governor of the central People's Bank of China, has been mayor of Tianjin since 2003. He is regarded as an effective and personable leader who has assiduously used his links with the central leadership to attract investment into China's third largest city.

Tianjin has great plans, especially for the Binhai area covering 2,270 square km. It handled \$81.9 billion worth of imports and exports last year and under China's 11th five-year plan it is set to become a key export and R&D zone, focussing on such fields as electronics, biotechnology, renewable energy and service industries.

"In the past we focussed on figures: we will now focus on quality," Dai declared. He said Tianjin's energy consumption was two-thirds of the national average and that the city was extremely environmentally conscious. "We will close down enterprises with high energy consumption and pollution."

Tianjin is growing as a banking centre and is now home to Bohai Bank, China's first new commercial bank for over 10 years, founded last year. Standard Chartered has a 19.99% stake in Bohai Bank which has an initial capital of five billion yuan.

The Binhai zone is also designated as a financial reform pilot area with a new industrial fund with a target of 20 billion yuan and which is set to turn Tianjin into a centre for investment throughout China, Dai said.

Tianjin, traditionally a city of engineering industry, now sees itself as a service and logistical centre as well as an industrial hub. It aims to achieve this through the development of a 25,000 dwt deepwater port, a 10-square-km bonded zone and a high speed rail link which will cut the journey time to Beijing, 110 km away, to just 30 minutes.

Part of the reason that Tianjin is targeting UK companies is Britain's long association with the city. Tianjin was the second biggest treaty port after Shanghai with a large British Settlement until 1945. The area has survived largely intact, and there is even a museum devoted to the city's semi-colonial past, which is no longer considered a source of shame but rather a means of attracting tourism.

"Tianjin has 800 foreign buildings of which a third are in British style. Tianjin is unique in having so much British architecture and we welcome British architects and designers to assist in their refurbishment," said Dai.

Some UK companies have already invested in Tianjin's first class, state level development zone, TEDA. Birmingham-based IMI, which has a factory producing drinks dispensing units, is highly enthusiastic about investing in Tianjin. "TEDA staff respond quickly. They are knowledgeable, supportive and enthusiastic. They have even helped us deal with third parties," said non-executive director Lance Browne.

Other British companies which have invested in Tianjin include GSK which has invested a total of \$400 million in capital projects in China. Although they have investments in other parts of China, Tianjin represents approximately half of their total capital investment.

And Standard Life Insurance JV employs 1,100 people in China, of which more than three quarters are based in Tianjin. "Sales this year are forecast to reach £7.5m and to double next year," said Standard Life's Group Operations Director, Marcia Campbell.

Madeleine Sturrock, senior adviser to TEDA and representative in the UK said, "There has been so much concentration on the Pearl River Delta and Yangtze River Delta for investment and yet, all along, TEDA has been seen as China's most successful development zone, giving the highest ROI of any zone in China. With the new policy put in place at the last National People's Congress, to focus on the Bohai Region, this will give new impetus to the growth of Tianjin. Especially important is the emphasis on the new comprehensive zone of the Binhai coastal district which will have a world class port, a free trade zone, a major logistics park, leisure facilities, all based around TEDA's manufacturing excellence."

Tianjin is already very strong in electronics, automotive, bio-engineering, pharmaceuticals, renewable energy and new materials. It will enhance further these sectors and emphasise its R & D function to turn it into a centre for advanced manufacturing, with 45% of its output from new and high technology by 2010.