



Shifting fortunes: Tianjin will remain an important industrial hub, but future investment is moving towards high-tech industries

Tianjin seizes the tech initiative

THE CHINESE CITY OF TIANJIN MAY LIE IN THE SHADOW OF INVESTMENT BEHEMOTHS BEIJING AND SHANGHAI, BUT IT IS STILL AT THE FOREFRONT OF THE COUNTRY'S HIGH-TECH FOCUS, WITH THE TIANJIN ECONOMIC-TECHNOLOGICAL DEVELOPMENT AREA CENTRAL TO ITS STRONG FDI APPEAL. DAVID FRIESEN INVESTIGATES

Investment in China's northern region is often seen as being dominated by the country's capital Beijing. However, about 120 kilometres away is the city of Tianjin. With a population of about 14 million, a thriving port and a high-speed train that connects with Beijing in 30 minutes, Tianjin is one of the most active industrial and trade areas in China.

At the centre of this industrial growth is the Tianjin Economic-Technological Development Area (TEDA). Established in 1984, TEDA has been the number one industrial park area in China for more than 20 years, according to China's Ministry of Commerce. In that time, the area has grown from its origins in heavy industries such as shipping and petrochemicals, to include high-tech and tertiary industry zones that include specialisations in cloud computing, biopharmaceuticals and financial services.

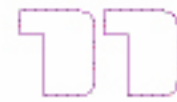
Keeping up with the neighbours

Despite Tianjin's merits, including continued growth over three decades, the city has sometimes struggled to move out of Beijing's shadow. Tianjin has suffered many of the same problems as Beijing in recent years, including overcrowding, severe air pollution and other environmental problems, but it also lacks some of the international-level facilities that help attract global talent. So, while it may have all the necessary business facilities, job-seekers have generally preferred Beijing to Tianjin.

TEDA still has the ability to easily attract companies, however, given its huge resources, more liberal business processes and stronger infrastructure when compared with other areas of China. This has seen annual double-digit economic growth in the past two decades, allowing TEDA to continue to proudly claim its position as the number one industrial area in the country. However, with central government looking to promote growth in western and central areas of China, the rankings of industrial zones will no longer be published.

Despite these challenges, TEDA's forward-looking approach to investment and its desire to move up the value chain have seen rapid change in recent years, still making it an extremely attractive area for investment. TEDA has taken the lead on a number of innovations for China, including investing in technology research, creating finance models for large and small businesses, as well as fostering collaboration and industry clusters. For example, in February, TEDA announced the creation of an internet-based financial services cluster, creating further convergence between IT and financial services. TEDA is also home to China's first consumer financing firm, the country's first wholly foreign-invested venture capital firm, its first commercial factoring firm, the first industry-focused private equity firm in China and the country's biggest financial leasing company.

Tianjin is also open to investment, and is looking to attract both foreign and domestic investment in new businesses. The Chinese Overseas Entrepreneur Fund and Haitong Securities have jointly established an invest-



THE REGION HAS A VAST MANUFACTURING BASE, WHICH POSES A BIG MARKET FOR THE IT INDUSTRY



ment fund of Rmb2bn (\$325m) to attract overseas Chinese investors to Tianjin and the surrounding area to put money into local technology firms. “We will seek more opportunities for overseas Chinese businessmen to invest in the domestic market, and provide assistance in mergers and acquisitions,” Huang Jingyu, managing director of the Chinese Overseas Entrepreneur Fund, told newspaper *People Daily*.

This, combined with Tianjin’s already strong business foundations, including its port and industrial base, means FDI continues to rise. In 2013, FDI was up 9.8% to \$5.5bn, according to the Tianjin municipal government. Last year, TEDA was also able to attract new Global Fortune 500 companies as tenants, meaning it now includes 90 Fortune 500 firms. It also helped create 68,000 jobs last year, saw \$7.8bn in fresh investment and its revenues attracted increased to Rmb54.7bn.

Perhaps the most appealing aspect of TEDA is that it caters to both technology start-ups and already established multinationals. And rather than seeing Beijing as a competitor for investment, officials in Tianjin want to use the city’s proximity to Beijing to its advantage. This includes the establishment of the Tianjin-Beijing Interconnected Entrepreneurship Promotion Centre, with Zhongguancun (Beijing’s equivalent to Silicon Valley) as a key collaborator. China’s premier Li Keqiang visited last December.

“Our mindset is that we are the partner of the investors,” says Yang Shu, deputy director of TEDA’s investment promotion bureau. “We’d like to sit down with them and provide suggestions and recommendations on everything from Chinese market access to government approval procedures. It is far more than a ‘template offering’.”

So, while Tianjin remains an important industrial hub for shipping, petrochemicals and manufacturing industries, its future investment strategy seems based on high-tech industries as China as a whole looks to move away from its status as the world’s factory. Tianjin may still look to use its manufacturing base to its advantage though, as it allows for the aforementioned clustering of industries – from high-

tech research to the manufacture and shipping of parts and products.

“The region has a vast manufacturing base, which in itself poses a big market for the IT industry,” says Wei Kai, senior director of the Internet Centre at the China Academy of Telecommunication Research of the Ministry of Industry and Information Technology.

Intelligent machinery

This fusion of different businesses and areas of the value chain is particularly important in the development of cutting-edge industries, such as intelligent machinery manufacturing. More than 60 intelligent manufacturing firms already have a presence at TEDA, including Otis, Honeywell, DMG/Mori Seiki, Lindsay, Tianjin Aerospace Hydraulic Equipment, Inova and Turck. In addition, GMS, Fanuc, Kawasaki Robotics and Makino have set up sales and technology centres.

The commitment to developing these newer industries means greater opportunities for foreign firms. As domestic firms are encouraged to grow, the relatively young nature of many of these industries means that Western innovators have an opportunity to collaborate with emerging companies. This not only helps the growth of domestic firms, but also gives these foreign firms greater access to talent, China market insights and a way into a vast consumer market.

“The Chinese biotech and biopharmaceutical industries... are innovating amid newly defined regulatory processes. Chinese authorities are looking to develop these nascent domestic industries, and are looking to European and American models to help shape their own,” says Martina Bielefeld Sevigny, general manager of PerkinElmer Life Sciences Technology in China.

Although Tianjin is unlikely to become the go-to choice for top talent in China over the more developed cities such as Beijing, Shanghai, Guangzhou and Shenzhen, the sheer scale of investment and variety of facilities for cutting-edge firms mean that companies and money will continue to flow into Tianjin, and in particular TEDA, in the coming years. ■