



TEDA's gleaming new financial center



The biggest church in Tianjin built in 1917 in its downtown area

Tianjin Gets Back in Business

The former 'Shanghai of the north' has its sights set on becoming China's next economic miracle city

Photos and words by Joe Havelly

With an educated, low-cost workforce, a rapidly improving infrastructure, and a son of the city installed as China's premier, Tianjin finally feels its time has come.

The city once known as 'the Shanghai of the North' is China's third largest city and the largest industrial center of the north. It is fast re-emerging as a manufacturing base for foreign companies looking for both an export base and a location from which to sell to northern China.

Located 90 minutes drive from Beijing, the two municipalities have a combined population of over 20 million, making for a concentration of consumer buying power equal in scale to greater Shanghai or Guangzhou.

Tianjin itself is one of four municipalities – along with the Beijing, Shanghai and Chongqing – under the direct control of the central government. With the largest port in northern China

close by and surrounded by large areas of flat land, it has also become home to several of the most successful business development zones in China – most notably the Tianjin Economic Development Area (TEDA).

Added to that, the recent discovery of significant new oil deposits under the Bohai Sea, with reserves estimated at up to 10 billion barrels, has given a boost to the development of the region's petrochemical sector.

Glorious commercial past

In the early 20th century, Tianjin was one of the most commercially developed cities in China. Like Shanghai in the south, it was a thriving international business city with trading concessions from eight different nations strung along its riverfront.

"Tianjin was the first city in China with an English

newspaper, the first to have electric trams – it was a very advanced, open city,” says Eric Bouteiller, director of China operations for French pharmaceuticals firm Ipsen.

It’s a history that has left Tianjin an eclectic mix of European architecture in its downtown area.

One small but notable legacy of that era is Kiessling’s Bakery, a bustling European-style cake shop founded almost a century ago by the Austrian former chef to German Emperor William II.

After the 1949 revolution, Tianjin went into a commercial slumber – a condition compounded by the impact of the devastating 1976 Tangshan earthquake, one of the worst natural disasters of the century.

When China eventually reopened its doors to international business in the early 1980s, Tianjin was largely overlooked by investors rushing to Guangdong and later Shanghai. It was also overshadowed by its proximity to Beijing and the center of power. Only in the past few years, says Bouteiller, has the city really begun to take off.

Taking off

Bouteiller’s company launched its joint venture operation in 1997, with an initial investment of US\$24 million, one of the first pharmaceutical companies to set up in the city.

Today, Ipsen’s Tianjin plant produces the company’s market-leading anti-diarrhea drug Smecta, and uses the factory as a China sales center for seven other drugs. It is now one of 14 pharmaceutical companies with operations in the city, including British giant GlaxoSmithKline.

Another early European investor was Spanish food company Nutrexa, which set up its first joint venture producing high nutrition chocolate milk powder in Tianjin in 1989.

Now, from a purpose-built US\$25 million plant in Tianjin’s Xiqing Economic Development Area, the company produces 10,000 tons of Cola Cao chocolate powder and 60 million choco-

late cakes a year for the Chinese domestic market.

With a sales and marketing operation headquartered in nearby Beijing, the company has about 55 percent of China’s chocolate milk powder market, says General Manager Luis Ballell. “Tianjin today has a really forward thinking government,” he says. “The authorities in charge of the development zones are among the best in China and really focused on profitability.”

Cola Cao is one of more than 450 companies to have invested in the Xiqing Economic Development Area – almost all of them profitable, says the zone’s vice director, Li Shouqiang.

“Unlike many development zones, we focus on the quality of companies investing here – their profitability – rather than simply on the quantity,” he says.

In order to attract such companies, Tianjin authorities are investing heavily in providing quality accommodation, schools and a clean, friendly living environment, he adds.

Location advantage

A key advantage of Tianjin, Li says, is that unlike the other big east coast cities, industries here have so far faced no real power supply problems. And with its proximity to Beijing, the transport links to the rest of the China and the outside world are among the best in the country.

“The only area that really needs work is the airport,” says Cola Cao’s Luis Ballell. “It’s very outdated, al-

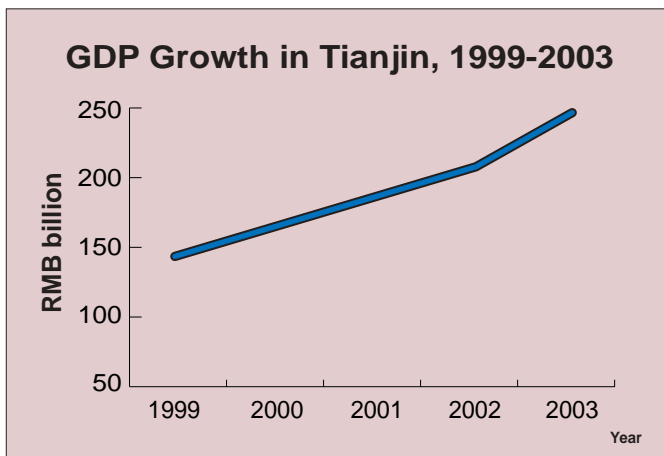
though there are plans under discussion to make it a second airport for Beijing, and talk of building a high speed rail line between the two, both of which would be great ideas.”

“As an operations base, Tianjin today is one of the best cities in China,” Ipsen boss Eric Bouteiller says. “The biggest port in the north is right on your doorstep, there’s a good availability of high quality talent and the government is very supportive of the needs of foreign business.”

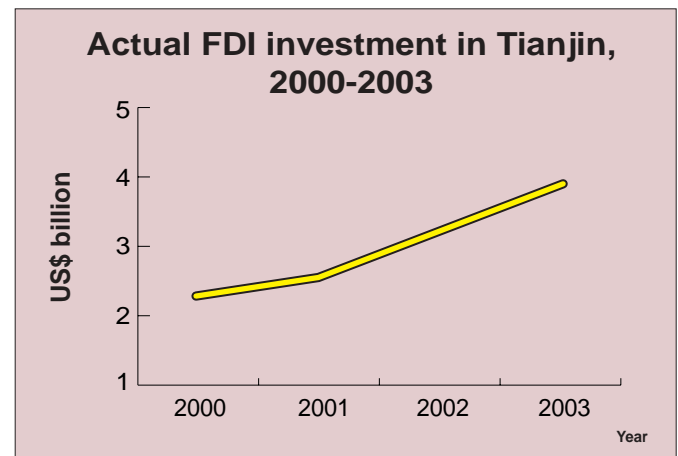
After a period focusing their efforts on attracting giant multinationals to the area, Bouteiller says more recently the Tianjin government has begun to see the benefits offered by bringing



Source: Tianjin Statistics Bureau



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Source: Tianjin Statistics Bureau



Tianjin has two of China's top 10 universities

◀ high-growth potential SMEs to the area. “They’ve realized that if one of those bigger businesses sneezes – if it hits hard times – then Tianjin can catch a cold,” Bouteiller says, using an appropriate analogy for someone from a pharmaceutical background.

One recent significant political development, he says, was the 2003 appointment of former central bank governor Dai Xianglong as mayor of Tianjin. Since assuming the post, Dai has been a strong advocate of developing the banking and financial services sector in the city, an industry he sees as a key driver for the next stage of Tianjin’s development.

To date at least 14 foreign banks have set up operations in the city with the financial sector fast becoming a significant employer in the city. Last year, for example, Britain’s Standard Life Assurance launched China’s largest-ever life assurance joint venture here with a registered capital of some US\$157 million.

Business oriented

Dai’s appointment, says Bouteiller, reflects Tianjin’s shift to becoming one of the most business-oriented local governments in China. Another strong example, he says, is the administration of TEDA, one of the biggest, most sophisticated and successful development zone in China employing more than 200,000 workers.

Situated about an hour’s drive outside of Tianjin city, the ultra-modern, highly planned development area powerfully illustrates the notion of China as a “workshop of the world”.

To date, TEDA’s biggest investor has been Motorola, channeling US\$2.5 billion into its electronics and mobile phone production plants in the zone. The company recently announced plans to spend another US\$200 million transferring an automotive electronics factory from Mexico to TEDA.

Another big investor is Samsung, which has so far put more

than \$1.2 billion into 12 factories in the zone, making TEDA its main consumer electronics production base in China.

“For the past 10 years we’ve been ranked as first among development zones,” says Zhang Shixue, TEDA Vice Director. Among the reasons for that success, he says, is TEDA’s proximity to the biggest market in northern China, its excellent domestic and international transport infrastructure, and Tianjin’s strong industrial tradition.

Another factor, he says, is the determination of TEDA’s administration to minimize bureaucracy and maximize market-oriented efficiency. “TEDA’s administrative commission models itself on a commercial enterprise rather than a government entity,” Zhang says. “Our aim is to be open-minded, to make foreign companies feel at home and provide the resources they need to be successful.”

Up to May 2004 TEDA had attracted a total foreign investment of US\$24 billion from 3,739 foreign enterprises. In 2003, TEDA accounted for 47 percent of the total value of exports from Tianjin municipality and produced a total industrial output valued at some US\$15.1 billion – a figure Zhang expects to see rise significantly when the new 80,000 square meter Toyota car plant comes online.

At present electronics and communications account for 70 percent of TEDA’s GDP, Zhang says, but with the construction of the car plant and the arrival of a stream of associated parts suppliers, he expects automotives to take over as TEDA’s top industrial sector.

One of the biggest attractions of the Tianjin region, Zhang says, is the availability of high quality labor at a third lower cost than in Beijing or Shanghai. “Tianjin has two of China’s top 10 universities – Tianjin and Nankai – and in total produces about 20,000 graduates a year,” he says.

A further string to TEDA’s bow is a growing focus on research and development in the zone. The TEDA administration recently opened a state-of-the-art digital library and Nankai University has established a dedicated campus within the zone.

The zone also has an international school, and a soccer stadium, home to the TEDA team ranked in the top six of the Chinese football league. Coming soon are two international standard medical clinics.

TEDA’s success has seen it expand dramatically in recent years, spawning three satellite parks across the municipality for science, electronics and chemical industries. With the original 40 square kilometer zone now almost full, construction began in 2003 on another 40 square kilometer area known as West TEDA – the site of the new Toyota factory, among others.

“Our philosophy is for businesses to grow with TEDA,” Zhang says, emphasizing the zone’s determination to attract a comprehensive range of industries and companies. “We welcome large and small companies with the aim of building a complete production supply chain here in TEDA.”

“As our chairman says, ‘what we need here is 20 percent

“ The biggest port in the north is right on your doorstep, there’s a good availability of high quality talent and the government is very supportive ”



Tianjin's sophisticated and successful TEDA development zone

Tiger and 80 percent Wolf’,” Zhang says – the tigers being big multinationals; the wolves their small- and medium-sized suppliers.

Having recently completed work on a gleaming new financial center at the heart of the main TEDA zone, Zhang says the administration is putting particular emphasis on drawing more intermediate sector and service business such as accountants, lawyers and financial services “to build a more complete business environment here in TEDA.”

Olympic opportunity

Tianjin’s role in the upcoming 2008 Olympics is transforming its business environment, and is seen by many as an opportunity to relaunch the city on the international stage.

Although the bulk of the sporting action will be taking place in Beijing, Tianjin will be a key host of the soccer tournament and has been busy building new facilities, stadia and sprucing up its downtown area in anticipation.

“The Olympics will be an opportunity to showcase the city to the outside world, says Sunny Heng, General Manager of the Sheraton Tianjin hotel. “From its history Tianjin has plenty of experience working with foreigners and foreign businesses and its really pushing hard to do so again.”

Peter Mecoy, a business consultant who has lived in Tianjin for much of the past 15 years says the general feeling is that the city is on a mission to replicate the successes of Guangzhou and Shanghai – only twice as fast, “doing in five years what they did in 10”.

On an investment level, Mecoy says the city authorities have built an administrative and physical infrastructure strongly supportive of business needs. “The government philosophy isn’t about how many companies are investing here, or how big they are, it’s about how many are successful,” he says.

“You could have a hundred Fortune 500 companies investing here,” he says, but it’s nothing to be proud of if they’re all broke.” ■

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