



# TEDA : Pioneering China's New Approach

**TIANJIN ECONOMIC-TECHNOLOGICAL DEVELOPMENT AREA (TEDA)** was established in 1984. After 30 years of development, TEDA has formed a sound and mature investment environment, attracting customers from China and abroad to invest in this favored land. Over 5,000 foreign companies and more than 10,000 domestic companies have invested in this area. In 2014, TEDA gained over RMB 280 billion in GDP; RMB 890 billion in industrial output; and RMB 55 billion fiscal incomes. To date, 165 American companies have invested US\$ 2523 million in TEDA. TEDA has ranked No. 1 among all national economic areas all over the country in terms of comprehensive economic indicators for 16 consecutive years.

A thirtieth birthday is a time to reflect, says Ai Yamin, vice-chairman of the Tianjin Economic-Technological Development Area (TEDA), now entering its fourth decade.

TEDA was one of China's first industrial parks when it launched in December 1984. Since then it has contributed about \$260 billion to China's economy and has attracted 232 projects from 90 Fortune 500 companies. Today it consistently ranks top among China's 215 industrial parks, which together account for 7 percent of China's overall GDP and a third of its foreign direct investment.

Ai, a veteran who has been at TEDA for 28 of its 30 years, is in no doubt about what has powered its transformational growth: China's famed 'reform and opening up' policy. But that doesn't mean it was a simple process.

"Opening up – it's easy to say but hard to put into practice," he says of the park that now sprawls over 400 square kilometers, home to 10,000 companies. "We started from nothing, now we have almost everything a modern city has. TEDA's development is a miracle."

## Entering Maturity

TEDA's journey began with consumer product manufacturing. More recently, clusters of electronics and IT companies have developed, as well as groupings of automotive and other advanced manufacturing companies, reflecting a shift to cleaner and higher tech industry.

"Industries related to environmental protection and clean technology are a good prospect given that more and more people in China are concerned about the environment," says Ai.

"We are collaborating with organizations from Sweden and Denmark in this area."

Ai believes TEDA's overall move up the value chain, from making simple items to becoming an integral part of the global supply chain for high-tech products, will attract new capital from the world's most mature markets.

That means more investment from the US, he says, as companies there continue to offshore some of their industrial functions. Meanwhile, Japanese firms believe increasingly sophisticated Chinese shoppers represent a growing market for their consumer expertise. And, citing Volkswagen's decision last year to locate its north China base in TEDA, Ai says Europe too is set to be a source of investment as China targets higher quality manufacturing.

"We have gone deep in terms of micro-analyzing nation-specific investors' strengths and opportunities in China and have mapped out three-year strategies to reach out and secure their investment," he says.

Volkswagen is investing about \$327 million in the first stage of its new plant, which will produce the company's latest generation of dual-clutch gearboxes. Initially, the plant will have an annual production capacity of 450,000 units, increasing to 1.2 million units by 2016.

Headline investments then attract other firms, with about 150 automotive components and supply chain firms signing up to locate at TEDA following the announcement of the Volkswagen deal.

German Metal Automotive Accessories was attracted to TEDA for similar reasons.

"When it came to deciding upon a location, we made a chart in the German style. The chart consists of all the key considerations, from infrastructure to business environment and the leadership in the area," says Wu Xi, GMA's general manager. "We calculated the final scores of a handful of development areas and TEDA came out as the number one choice."

"At the very beginning, we were a very small company. But luckily, TEDA gave us special attention and support because we are an innovative domestic Chinese firm."

## A Relationship with Beijing

TEDA is the main economic zone within the Binhai New Area, which in itself was designated earlier this century by the central government as China's new growth engine, designed to emulate the success of Shenzhen (in Pearl River delta) in the 1980s and Pudong (in Yangtze delta) in the 1990s.

Tianjin is also among three regions – the others are Fujian and Guangdong – that was recently announced as being part of the second-wave of Free Trade Zones launched by the Chinese government. The move is part of a "new round of high-level opening", the State Council said.

Linked to this is a government plan announced in 2014 to integrate the region covering Beijing, Hebei and Tianjin. The aim is to relieve pressure on the capital by relocating some of its industry out of the city to Hebei and Tianjin, where living costs are much lower and population slightly smaller.

"If all the resources are reallocated in a scientific way, then we will see tremendous growth opportunities," says Ai.



TEDA executives hope some of Beijing's manufacturing will move to the industrial park. They also hope to lure some of the companies in Beijing's booming science and technology sectors to relocate to Tianjin, especially TEDA, where running costs such as office space rental are much lower. And they want to encourage Beijing companies that are growing beyond the capacities of their current sites to expand into TEDA, just less than an hour away by high-speed train.

### **Nurturing the Next Generation**

Although TEDA initially focused on multinational corporations and state-owned enterprises, the firms that call it home today are much more diverse in terms of their ownership structure.

"We have a whole spectrum from state-owned enterprises to multinationals, private entrepreneurs and now also start-up companies," says Ai.

"We see start-ups as a very promising area because China is not short of talented people. We hope more smart people will launch their own businesses, finding workable business models and making money for themselves as well as contributing to society as a whole."

More than half the 4,600 start-ups and SMEs in TEDA are IT companies, but biotech, pharmaceuticals, medical equipment, clean energy and new materials are also represented.

TEDA is also home to around 100 firms launched by returnees – Chinese who have studied and worked abroad, largely in the US and Europe, before returning to their homeland.

The industrial park's management see returnees as a small but crucial community because they understand the Chinese marketplace but also have insight into Western management practices and emerging technologies.

Li Hongliang, deputy general manager of TEDA's Science and Technology Group, says the returnees are particularly well suited to export driven or service outsourcing businesses because they can coordinate local resources and communicate with foreign clients.

"More broadly, the returnees help to create the diverse, inclusive and innovative culture that China's technology parks aspire to," says Li.

### **The Mind and the Heart**

The success of China's industrial parks, led from the front by TEDA, is now being exported both within China to its less developed central and western regions and abroad.

There are Chinese-invested development areas scattered across the globe. Lately, Premier Li Keqiang announced plans for a "One Belt, One Road" program connecting China with Central Asia, the Middle East and Europe, with investment infrastructure and industrial parks.

"The sheer scale of China's domestic economy means that the country will increasingly play a role in dictating the shape of global product markets," says Duncan Innes-Ker, China economist at the Economist Intelligence Unit.

"The fact that China will still be an emerging market for the next decade, and that its regulatory climate will remain unique, will mean that many

of the techniques and models in innovation and management that China develops will have limited applicability in richer markets. However, some will be transferable, especially in other emerging markets."

But back in Tianjin, TEDA's vice-chairman Ai is guarding against complacency.

"Credibility is our best asset," he says. "As the competitive value of policy dividends diminishes, a pro-business approach and customer service has become the name of the game."

He says the sheer length of time TEDA has been in existence means a conscious effort must be made to maintain its ethos.

"Service ebbs and flows," he says. "Veteran staff members may suffer a bit of fatigue, while more recent arrivals who weren't around in the early days may not appreciate just how important service is. So we have to continuously stress the fact that our tenants are the most important people around and they are also the source of wealth for our region."

That said, Ai maintains that the spirit of opening up continues to guide TEDA's development.

"Opening-up is about the mind and the heart," says Ai, "It's about the pursuit of life, a career and different working styles. TEDA's future is limited only by our imagination and we're open to all possibilities."



## TEDA: Your Best Partnership in North China

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