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# Enterprise

MANAGEMENT,  
STRATEGY AND  
LIFE IN CHINA

## CHINA

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# THE NEW DEVELOPERS

**Software development in Chengdu is bringing high-tech jobs to western China**  
**By Reid Wyatt**

**T**o many foreign investors, Chengdu may seem a bit off the beaten track. Located in the Sichuan Basin, to the west of manufacturing powerhouses like Wuhan and Chongqing, Chengdu is more than a thousand miles from the developed eastern coastline. So why was Chengdu named by Forbes Magazine as one of the World's Fastest Growing Cities of the Next Decade?

In 1991, the Chinese government selected Chengdu as one of eleven high-tech development zones, offering attractive tax breaks for domestic and foreign companies to move in and set up shop. In 2000, amid the massive economic growth of coastal cities like

Shanghai, Guangzhou and Shenzhen, the government started a program to balance development by encouraging investment in western cities such as in Chongqing and Chengdu. Chongqing's main advantage is its position along the Yangtze River, while Chengdu has had to rely on its status as a regional economic hub and a center for higher education and technology.

Chengdu is the capital of Sichuan, a province roughly the size of Spain, with a population of eighty million people. With twelve universities, Chengdu offers employers a steady supply of fresh graduates each year. According to Gregor Plath, Marketing Manager for TribePlay, a software de-

velopment company, "Chengdu offers competitive advantages for Western developers with many high-quality but low-cost programmers and designers." The University of Electronic Science and Technology of China (UESTC) was founded in 1956 and is one of the top technology universities in China, offering training in both software and hardware production.

## **Go west**

Salaries in western China remain lower than those in coastal cities, allowing companies like Intel, Siemens and Nokia a cost advantage. As the early growth areas of Southeast Asia become more economically advanced,

wages rise along with inflation, pushing businesses into less developed areas, such as Vietnam, western China and Bangladesh. In the case of Chengdu, government tax breaks have made it an appealing location for investment, encouraging companies to operate in this emerging area.

Whereas the first phase of economic opening in China saw a wave of manufacturing investment, this second phase has coincided with the growth of software development. Thanks to the rise of social media, smartphones and the explosion of internet gaming, there are many more arenas where small and large-scale software developers can find a profitable niche.

Plath stated, "While still growing, Facebook has become more and more competitive for game developers and it is harder to reach your target audience on that platform. Many game developers have expanded their portfolio to mobile development and are looking for other ways to reach their customers. We believe that the future lies in the adaption of new technology

and the development of cross-platform games. Players want to experiences their favorite game on many different platforms, which is why we are already experimenting with new technologies like HTML5." Three years ago, smartphones were just hitting the market in China, whereas today they are the fastest-growing phone segment.

### Getting connected

Last year Chengdu opened its first subway line, of a planned seven, linking the North Train Station to the new Convention Center and Tianfu Software Park. The 2.2 million square meter complex is dedicated to attracting foreign and local companies in research and design, software development, information security and outsourcing. Currently, IBM, Siemens, Ubisoft, China Mobile and DHL have offices in the park. Along with its counterpart in the western part of the city, where Intel opened a factory in 2005, Tianfu Software Park is a key part of Chengdu's high-tech strategy.

One of the major factors in the de-

velopment of Chengdu has been the generational shift in China. New college graduates have grown up in a capitalist system, raised as single children with access to the internet, foreign television and a dream of upward mobility. Additionally, with an economic downturn in the West, more foreign graduates are coming to China to work as teachers. At the same time, western companies are attracted to China's low labor costs, often bringing western experts to set up and manage operations.

This influx of western talent and thinking has affected many Chinese students and workers, while slowly changing the culture of China's large cities. Whereas these changes took place perhaps as much as a decade before in cities like Beijing and Shanghai, recent economic growth in Chengdu is now rapidly altering its urban landscape and culture. With more integration and investment, Chengdu will become more diverse economically, and continue to develop the talent needed to grow Chengdu into a global technological center. ■

