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All you need in the ‘City of Springs’

Mayor of Jinan City Yang Luyu describes the warm welcome awaiting investors and visitors

It is my great honour to introduce everyone from across the investing world to Jinan City, one of China’s great cities and economic growth stories.

Jinan has many compelling attributes for investors and corporates. It boasts great beauty – not for nothing is it known as the ‘City of Springs’, with Baotu Spring, praised by emperors and loved by millions, at its heart.

Jinan is also the capital of Shandong Province, the country’s third largest provincial economy – worth nearly Rmb500 billion ($82 billion) in 2012 – with a hard-working and upwardly mobile populace. It’s one of China’s wealthiest municipalities: average per-capita income recently passed the $10,000 mark.

Transport has kept pace with development. Jinan is barely 90 minutes from Beijing by high-speed train, and less than three hours from Shanghai. The city bridges two of China’s great economic axes, the Yangtze River Delta and the Bohai Economic Rim, and is a stone’s throw from Tianjin and Qingdao ports.

Close to the action

The city is close to the action wherever you look. More than 300 million people live within a radius of 500 kilometres. Jinan’s industrial base, decades in the making, is second to none in terms of its overall quality.

A major engineering centre, Jinan’s leading corporates are leading players in sectors like auto making, super-heavy equipment and rail transportation. A raft of newer industries has also sprung up: Jinan is now home to highly innovative companies in sectors like biopharmaceuticals, IT and software, clean energy, and touch-screen technology.

Jinan has benefited from a long-term strategic process designed to marry industry with services. In recent years, the city has become a major producer of heavy vehicles, wind turbines and solar energy facilities. Jinan boasts a plethora of financial services companies, including foreign banks and no fewer than 22 financial leasing companies. Tourism is another fast-growing industry, as are exhibitions and conferences.

Then there is technology, increasingly vital to the city’s future. Investors from across Europe, Asia and North America have set up facilities here, some focusing on production, others on R&D, and more are coming. Jinan is also fast building a reputation as a leading player in the outsourcing space.

Creativity and innovation

Our corporates are innovative and creative, operating across multiple business parks, including the Jinan High-Tech Development Zone and the Lingang Economic Development Zone. Lingang Industry Park, set to open soon, will be home to a host of multinationals. Jinan boasts seven development zones, as well as a comprehensive bonded zone. Investors are offered a host of tangible financial benefits, from low-cost land to multi-year tax holidays. If investors ever have questions for us, we are always here to listen.

Underlying Jinan’s steady, stable development is the city’s first-class education system. More than 120,000 students graduate each year from the city’s 40 universities and colleges. Every year, the city turns out an army of technical staff and engineers, which are snapped up by one of the city’s 300-plus R&D centres, or by a leading local or foreign corporate.

Little wonder Jinan has attracted nearly 700 major overseas investors over the past two decades, bringing in more than $1.2 billion worth of foreign direct investment (FDI). Or that more than 15,000 foreign specialists and experts now work and ply their business in the city.

Opening up

China’s great opening-up process, proves that greater inclusivity is the only way to ensure that Jinan continues to develop and thrive. Our civic ties with the rest of the world are getting closer and stronger, while FDI continues to flow into the city, in turn attracting more investors.

We pledge to continue the process of industrialisation and urbanisation, drawing in more value-added investment in areas like high technology and outsourcing, while improving the work-life balance in the beautiful ‘City of Springs’. Our ambition is to draw in more foreign direct investment and boost competitiveness, while continuing to enhance the city’s famed natural beauty.

To that end, we plan to expand the city’s urban area to 160 square miles by 2020 from 135 today, giving the world’s biggest and best corporates even more room in which to expand their operations.

Friends and investors alike are welcome to come, invest, live, and work in Jinan, a wondrous land of water, soaring mountains, and Confucius. Drink tea, visit the springs and talk business. Together we can dream and achieve great things. It’s all here in Jinan.
The only way is up

Built on a solid base of heavy industry and blessed with an ideal position, Jinan is expanding through investment in innovative industries ranging from software development to clean energy.

Jinan, a booming city in eastern China, capital of Shandong, the country’s third-richest province, takes the breath away when seen for the first time. Few cities can have changed so much, yet remained so unchanged.

All is hustle and bustle. From the new downtown shopping districts, full of five-star hotels owned by names like Sofitel and Hyatt, to spanning new malls like Hang Lung and Wanda Plaza, the city is literally bursting with ambition.

Every possible metric is a positive one: rising employment levels and jobs; a burgeoning education system, with 40 universities and technical colleges dotting the landscape; and a steady inflow of major foreign investors, across the pharma, engineering, automobile and financial services sectors, among others.

The change is being felt at all levels. Until the early 1990s, Jinan was a major steel and textiles producer: famed domestically for its proximity to the birthplace of the poet-sage Confucius, but less known beyond China’s borders.

Yet over the past decade the city has undergone a transformation that borders on the extraordinary. As the traditional industries, such as textiles and paper making – polluting, low-margin, blue-collar – waned, they were replaced, first by autos and machinery industries, more recently by emerging industries like IT, software, biopharmaceuticals and clean energy.

Industry parks covering hundreds of square kilometres – Jinan High-Tech Development Zone, Mingshui Economic Development Zone, Jibei Economic Development Zone and Lingang Economic Development Zone – were established, sucking in billions of dollars of foreign direct investment (FDI). As Wang Hongzhi, director of the Jinan Development and Reform Commission (JDRC), notes, officials “have sought to create new industries, to innovate, to build for the future.”

Brawn plus brain

The upshot is clear for all to see. Jinan’s services sector, a very low percentage 20 years ago, now makes up 54.5% of municipal GDP, and that figure is rising fast. In 2012, per capita GDP in Jinan topped $10,000 for the first time. Little wonder global brands are beating a door to Jinan’s high-end malls or that tourist numbers swelled 17% in 2012, to 47 million, with tourism revenues up 21%, to Rmb46 billion. “The modern service sector is only going to get larger going forward in Jinan,” adds Wang.

City elders recognize the importance of a diversified economy: of building a city powered by a mix of industrial brawn and technology brain. Investors quickly see its potential, as well as the clarity and insight provided by Jinan officials determined to create a clutch of industries capable of driving this vast city forward for the next several decades.

Industries have been carefully chosen for their ability to generate jobs, encourage innovation and compete globally in the long term: sectors such as information technology, biotechnology, pharmaceuticals and bioengineering.

At the heart of the city’s technology sector sits Qilu Software Park, a vast hi-tech park covering 6.5 square kilometres and crowned by the charming concentric rings of ‘Pioneering Plaza’, the world’s largest circular building. Visiting on a busy weekday, you see the activity first
The greatest industrial cities, at their peak, operate like a single, fluid and colossal supply chain. Within this process sit a few giant corporates, which draw an army of smaller objects from global multinationals to innovative smaller enterprises into their profitable orbit. So it once was with Detroit and General Motors; so it is today in Stuttgart with Mercedes-Benz, or in the synonymous city of Toyota, Japan.

Add a new name to that list: the growing industrial and commercial powerhouse of Jinan. For sure, the city boasts a plethora of corporates, but none as big or dominant as a trio of industrial giants: Jier Machine-Tool Group, China National Heavy Duty Truck Group (Sinotruk) and Inspur Group.

All three companies exert a positive, outsized influence on their home city. Global brands in their own right, their mere presence is sufficient to convince a multitude of foreign and domestic corporates, strewed across the engineering and industrial space, to set up shop here too. In their own way, Jier and Sinotruk are turning Jinan into China’s version of Stuttgart, or auto-making Detroit at its industrial height.

Proximity breeds profitability
Sinotruk’s partners support this view. “The main reason we set up in Jinan was our proximity to Sinotruk,” admits Jason Cochran, plant manager at Continental Automotive Electronics (Jinan). More than 140 employees work at Continental Automotive Electronics (Jinan). More than 140 employees work at Continental Automotive Electronics (Jinan).

Cochran says plenty of corporates are following suit. “In recent years, more and more auto suppliers have moved to Jinan, which has drawn in industrial supply companies, tooling companies, commercial vehicle makers and leasers, and motorcycle manufacturers, such as Suzuki, Peugeot, Wabco and SKF. This is a city that is very well-positioned geographically.”

Global industrial suppliers, across the auto space and beyond, would be foolish to look beyond Jinan: like Stuttgart now, and Detroit in days gone by. And Inspur Group is also worth a mention. It is now China’s largest server manufacturer and supplier of server solutions. This is an industrial city on the rise, with key industrial giants like Sinotruk, Jier and Inspur at its heart.

Powerful orbit
Both firms operate in roughly the same orbit. Jier, established more than 75 years ago, makes super-heavy machinery used to assemble cars. Its vast machines, often weighing as much as 200 tonnes, are built in a series of aircraft hangar-sized complexes in the east of the city covering more than 1.2 million square metres. China’s 85th largest manufacturing company, Jier generated revenues of Rmb3 billion ($290 million) in 2012, a five-fold jump in less than a decade.

But this is about more than just size, Zhang Shishun, Jier’s senior engineer and vice general manager, talks up the firm’s state-of-the-art technology. The company boasts four internal R&D centres and five laboratories designing and creating new types of machine tools. Jier operates its own internal technical college, churning out 300 graduates a year.

Moreover, its production line delivers equipment to most foreign and local automakers operating on the mainland, including GM, Ford and China’s Geely.

It’s also ramping up sales into 50 countries including the US, Australia, UK, Brazil and Japan. Zhang expects Jier to become the leading global corporate in its field within the next few years. International sales, he says “continue to soar”, but Jier is also focusing heavily on the domestic market as domestic sales start to replace exports as China’s chief economic driver.

And there’s more. Jier, Zhang says, is “vital to the city’s economy”. As a major global supplier of stamping, welding, assembly line and industrial painting equipment, Jier supplies products coveted by most major engineering firms. Little wonder car-makers like Geely and Volvo, and equipment providers such as Germany’s ZF Lenksysteme and Mann+Hummel, are based here.

Truck colossus
Then there’s Sinotruk, another colossus of a company. China’s largest exporter of heavy trucks, its executive director and chief economist Tong Jingen also believes that no firm in the mainland can beat Sinotruk in terms of R&D and technology. “No other company in China has more patents either pending or approved,” notes Tong.

Sinotruk produces across China, from Datong in the northeast to Hangzhou in the Yangtze River Delta, and last year sold 26,500 heavy trucks, or more than a fifth of its output, to markets in Africa, Southeast Asia and Latin America. But Jinan sits at the heart of its global operations: no other company, Tong believes, contributes more to the city’s industrial base, or to its future aspirations.

Tong reckons that at least a dozen major corporates, local and foreign, are cogs in Sinotruk’s vast production network. “These are very important companies for our supply chain,” Tong says, pointing to the likes of German multinationals Bayer and Continental.
Korea’s Samsung products: the latter is preparing to roll out Chinese investors like Inspur Group and technology production hub. Major hand. Qilu is already a leading Chinese corporates that have established R&D design, and a leading player in encryption communication R&D hub, as well as being the go-to city for aviation-related product and server development. Major foreign companies here in recent years include Siemens, NEC, Hitachi, Panasonic, Volvo and Danish biotech firm Novozymes.

Bringing in outsourcing Outsourcing, from a standing start barely eight years ago, now generates $1 billion in annual revenues; more than 60,000 people, many high-end technicians and analysts are now employed at Qilu Outsourcing Town by corporates like Japan’s NEC. Major US computer and software makers like Microsoft have already made or are eyeing investments in the city, and more will follow. “We are developing into a truly diversified economy and industry,” says Shi Tongwei, director of the Jinan Municipal Bureau of Commerce.

That’s not forgetting all the manufacturing jobs Jinan has created, and continues to generate. Officials have been careful not to neglect the industries that have served it so well for so long. Engineering giants abound here, notably Jier Machine-Tool Group, which makes the vast, super-heavy machines used to assemble passenger cars, Sinotruck, a leading Chinese maker of heavy-duty trucks, which has issued equity and debt to foreign investors in Hong Kong in 2007, Inspur, a Chinese leader in IT sector, which serves as the largest server manufacturer and cloud computing developer, and Linuo Group, the largest Chinese producer of solar energy water heaters.

The four companies, among the}

### Miracle of Jinan

Mount Tai, an ancient spire of rock sitting in the Shandong plains, was once a place where China’s emperor would come to pay homage to heaven. Mortals have long made the pilgrimage, many sick and in search of a miracle. Some leave revived and rejuvenated, others depart exhausted after trudging up the 7,200 steps.

Yet there’s another miracle taking place a few kilometres to the north in Jinan, involving microchips, groundbreaking quantum communication, a petalflaps supercomputer, cloud computing, big data and large flat touch-screens, and biotechnology. A city once famed for its textile production, and still for its heavy and light engineering prowess, has become, in a startlingly short period of time, one of the country’s leading technology hubs.

Not that the local origins of the tech industry are new: city officials founded Qilu Software Park more than 10 years ago. Yet it’s now home to more than 1,200 companies, employing 66,000 people generating revenues of more than Rmb110 billion ($18 billion) in 2012. And the petalflaps computer was set up right here two years earlier. Moreover, the park is increasingly stocked with soft-infrastructure attractions and services, including schools, residential units and kindergartens.

But it’s the pace of change in recent years that has surprised many, a process that has turned Jinan into a leading tech hub for eastern China – nine of the country’s leading 100 tech firms are based here – and, increasingly, a lodestar for the world’s biggest software corporations, many attracted by the investment potential and an upwardly mobile populace.

### Magic touch

Take SCsE micom (Sinochip), a rising star of Jinan’s tech scene, and a global brand in the making. Sinochip is making waves with its touchscreen panels, used to coat hand-held tablets. These patented screens are a global first: cost-efficient and multi-touch, allowing you to use all 10 fingers at once (for instance, when presenting intricate designs or products to a client).

A new Sinochip factory, opened in January 2013 at a cost of Rmb300 million, will produce more than 100 million touch-screen panels a year when at full capacity. Deputy general manager Emily Zhang tips the company to be generating $500 million in annual revenues by 2015. A new R&D centre is also being finalized, Zhang adds, which will “push Sinochip to the next level, turning it into a genuinely global tech brand”.

Sinochip, which has benefited from a mix of private and public sector investment and is based in the heart of the Jinan High-Tech Development Zone, is one of a select group of enterprises widely viewed as the backbone of the city’s tech scene – and a key reason why global firms are beating a path here. NEC Software and Hitachi Information & Control Solutions of Japan are already here, while Jinan is also home to one of China’s truly great technology firms, Inspur Group, an IT pioneer that helped build and install Tianhe 3 in June 2013. It’s the world’s fastest supercomputer, designed in China.

### Brain space

All of this is turning Jinan into a byword for tech success. The government has been quick to attract companies from across the “brain space” – firms involved in biotechnology, bioengineering and IT in all its myriad guises – to the city by offering cut-price land deals and tax holidays. Little wonder the likes of Dell and Lenovo, two of the world’s largest PC makers, are multing their own investments in the city. More global names will follow.

If this was the aim of the founders of Jinan High-Tech Development Zone in 1992, they have achieved their ambition with room to spare. Zhang Duanwu, vice director of administrative authority at the Jinan High-Tech Development Zone, remembers when many of Jinan’s textile jobs were lost during a shakeout in the late 1980s and early 1990s. Jinan could have panicked. It didn’t, and it has become, in a startling short space of time, one of China’s leading high-tech cities, drawing in investment from across the world. Zhang smiles when he uses the word “miracle” to describe Jinan’s metamorphosis from low-tech to super-high-tech conurbation, but he uses the word wisely. A miracle it just may be.
largest manufacturers of their kind in China, are rather like planets, sucking smaller objects – in this case a plethora of suppliers and distributors – into their orbit. Many of Jinan’s medium-sized automotive groups exist just to service the likes of Sinotruk, as do major foreign companies like Continental and ZF Lenksysteme of Germany, and Volvo Construction, now a subsidiary of Chinese automaker Geely, which also has a burgeoning local division.

Jason Cochran, plant manager at Continental Automotive Electronics (Jinan), says the German firm targeted Jinan as a new production destination in 2011 precisely because of the proximity of Sinotruk. It is not alone in its thinking. Countries and governments forget the issue of the importance of supply chains at their peril: lose one part, and other parts may disappear too. This has happened elsewhere, not least in the British Midlands and, more recently, Detroit. Jinan’s far-sighted officials are determined to learn from the mistakes of others.

Clean energy, clean environment
Another key industry growing by leaps and bounds is clean energy. Jinan recently kicked off a multi-year project to improve the quality of its air and waterways. The latter is particularly important: one of the main reasons the city attracts so many visitors each year is the presence of so many springs. Jinan is called the ‘City of Springs’; the most famous of these, Baotu Spring, was heralded by not one but two Chinese emperors.

This drive toward clean energy is represented by Linuo Group and CNR Wind Turbine, Linuo, growing from a manufacturer of heat-resistant glass to a Chinese leader in solar water heaters, is also the largest supplier of all-glass solar collector tubes. Jinan-based CNR makes blades and engines for wind turbines generating up to 6MW of power. CNR, a relative newcomer to the crowded field, formed in 2011 with invested capital of Rmb2 billion, is growing in leaps and bounds. Chairman of the board and senior engineer Liu Pu says the company is “very important” for the development of clean energy in Jinan and Shandong province as a whole. CNR, whose parent is a leading maker of rolling stock for locomotives (another industry central to Jinan’s present and future) has already set up its own R&D base, and is preparing to begin exporting.

Finance sector keeps pace
Then there’s the financial services sector, which is also growing rapidly as it attempts to keep pace with the city’s burgeoning enterprises. Again, foreign investment abounds here. Three foreign lenders – Hong Kong-based Bank of East Asia and the emerging markets-focused British duo of HSBC and Standard Chartered – are key players here, competing with China’s big state banks and a bevy of smaller lenders, including Jinan-based Qilu Bank. First-tier Chinese state banks boast 33 branches in Jinan and counting, while 74 insurance firms currently operate across the city, including German insurer ERGO’s China headquarters.

Tang Zhong, director of Jinan Municipal People’s Government
Jinan: City of springs

Planning for growth

Jinan has made a concerted push in recent years to improve the quality and allure of its economic zones.

Over many years, Jinan has established industrial and scientific parks, including the Jinan Hi-tech Zone, Mingshui Economic Zone, Qilu Software Park, Innovation Valley in the University Town, Jinan Biomedical Valley, Taiwan Foodstuff Industrial Park and Europe Industrial Park. Jinan Lingang Economic Development Zone (JLEDZ) blazed a trail in mainland China, drawing in investment from the best multinational names the world had to offer. Established in 1994 and covering nearly 150 square kilometres, the zone has always been a favourite among foreign investors, and for good reason: based just 5km from the airport, it boasts three expressways, rail links, immediate access to the city centre and – no small thing for tired executives at the end of a long week – one of China’s best hot springs.

Yet even successful business parks get jaded, and in recent years a management reshuffle and a fresh focus have given the zone a new lease of life. Established in 1994 and covering nearly 150 square kilometres, the zone has always been a favourite among foreign investors, and for good reason: based just 5km from the airport, it boasts three expressways, rail links, immediate access to the city centre and – no small thing for tired executives at the end of a long week – one of China’s best hot springs.

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Ding and his colleagues have made every effort to make investors feel at home, handing them a 50% discount on land bought or rented within the zone, and offering a 100% tax holiday for their first three years of operation. In 2007, Ding and his colleagues set up the European Industry Park, within the JLEDZ, part of a concerted effort to attract more European investment.

That plan is clearly working. Six years ago, Ding says, the zone boasted just one European corporate; now there are 11 from six countries, including Germany, Italy and the Netherlands, along with nine from Japan and the US. Ding and co have also shown their softer side, establishing in 2012 a local division of Jinan’s Foreign Investment Committee. “It’s an informal grouping of companies that allows local corporates to share concerns with each other and with the local government on a monthly basis,” explains Ding.

And they aren’t finished yet. Noting that smaller European enterprises often prefer to rent rather than own facilities, officials are planning a new business hub, the Lingang Industry Park (LIP), set to open by September 2014. Hosting 18 tailor-made factory units, the LIP, covering 30 square kilometres of land, will be fully funded by the parent zone, and will offer investors “very low and even free rents”, depending on the size and output of each new facility, promises Ding. Jinan officials visited the German city of Aalen in 2013 to promote the new park; similar trips are planned to Belgium and Italy.

High-tech zone

Jinan’s other prominent business park is its High-Tech Development Zone, one of the first of its kind in China. It has long proved a profitable and far-sighted move from city officials such as Zhang Duanwu, the zone’s vice director of administrative authority.

More than 7,000 companies now operate inside the zone, ranging from foreign multinationals (NEC, Microsoft) to many of China’s best-and-brightest tech, biotech and biomedical names (Inspur Group, SCSemicon, Qilu Pharmaceutical). Overall, the zone comprises three distinct divisions: a financial centre, boasting 22 leasing specialists, a manufacturing hub, and one of the country’s largest bonded zones, for the processing of imports and exports.

The next step, says Zhang, is to attract around 150 “high-end talents” to the city - individuals with specific capabilities, whether in the engineering, technical, automotive or pharmaceutical space. Here the idea is clear: to generate new business ideas that will benefit Jinan’s, and China’s, economy, leading to the creation of more industry-leading corporates in the mould of Inspur Group. Already, Zhang says, Jinan has attracted 70 “top talents”, and adds that the city is hungry for more.

A newer development this year is the creation of a high-tech development fund, financed by city officials, and designed to foster the growth of the city’s best young corporates. For Jinan, and for its array of smart, well-run development zones, the only way from here is up.
City of springs

On a warm summer evening, the view from the heights of Chaoranlou, an ancient pagoda in the centre of Jinan’s Daming Lake, is simply stunning. The vista is serene, with lakes and canals spreading out in every direction, but also very human. Families, stretching from toddlers to wise old grandparents, gather to absorb a few rays and splash about in the clean, pure water.

Few places exist like this – literally. Jinan, first settled more than 4,000 years ago, has plenty to interest visitors, both casual and permanent. Workers of all stripes and cultures come for the city’s deep sense of history, and its roots in the past, present and future. Water, in all its forms, is at the heart of daily life here. Daming Lake, broad and lily-cloistered, is the city’s cooling system, quelling the heat on a summer’s day. A vast system of walled canals, enclosing the city’s ancient centre, draws comparisons with another ancient city, Paris.

Then there is Baotu Spring, reportedly heralded by the Qing Emperor Qianlong as the greatest spring under the heavens, and accompanied by a dizzying array of sibling waterspouts, from the Black Tiger Spring to the Five Dragon Pool. Simply put, there are few more pleasant cities, anywhere in China or indeed Asia, to stroll around. Jinan may be vast and growing, with a population of 7 million people and counting, but its aquatic heart lends Jinan an air of accessibility and humanity, one that isn’t always available elsewhere.

A great place to visit

For Jinan’s city elders, this has two inescapable benefits. First, it makes Jinan a great city to visit. Wang Tiezhi, director of the Jinan Tourism Administration, reckons that tourism is growing by around 17% a year. In 2012, no fewer than 47 million people visited the city, helping generate Rmb46 billion in tourism-related revenues.

Many come for ancient sites like the springs and lakes. Others come for the brands and boutiques on display in high-end malls like Jinan Wanda Plaza, in the Daguanyuan district. Jinan is becoming one of the premier shopping destinations in eastern China. Five years ago the city boasted no high-end malls; now it has five, with more on the way.

Global brands are taking note: most big sporting names have outlets in the leading malls, as do leading global beer and food brands, jostling for space with Chinese businesses offering hearty Jinan cuisine. These respected firms come to service two types of people: a wave of tourists, growing stronger by the year; and a rising tide of white-collar workers, drawn to Jinan’s leading companies from all over the world. Most interestingly, while the tourism sector has only really just got started here, it has, notes Wang, “huge and almost unlimited potential”.

Confidence and allure

Both factors are increasingly helping to put Jinan on the world map. The city and the surrounding region boast myriad attractions for the casual visitor: the grandiose Mount Tai and the Great Wall of Qi, two centuries older than its northern counterpart and now offering backpack tours. Not to mention the birthplace of China’s great philosopher-sage Confucius, only 100 kilometres away in the southwest.

But Jinan’s increasing confidence, affluence and allure have added another string to its bow. This is increasingly a place where white-collar workers from China and around the world want to live, attracted by its “wonderful working culture and benevolent climate”, notes Shi Tongwei, director of the Jinan Municipal Bureau of Commerce.

Jenny Wong, the Australian-born former principal of the Jinan franchise of EtonHouse International, a Singapore-based private schooling business, arrived in Jinan in 2008. Her first impression was a city with “nothing to it – shocking roads, packed buses, no malls, dull night life and very few foreigners”.

How things change. Jinan is now “filled with cafes and restaurants, which are packed with faces from all over the world. It’s an increasingly multicultural city, an increasingly wealthy city.” And it is safe: in a recent poll run by CRI, the state radio service, Jinan ranked number one out of 75 Chinese cities in terms of public safety. In short, this is a great place to visit and a great place to live and work.
Financial Services, describes financial services as an “increasingly vital pillar” in Jinan’s economy. He highlights the importance of leasing, a vital sub-sector of finance for any diversified economy with an industrial base. “Jinan companies offer leasing for mining equipment, machine equipment, transportation equipment,” Tang notes.

And that’s just for starters. Given the size of Jinan’s, and Shandong’s, economy, allied to its wealth and diversity, the financial services sector has only just begun to grow. Foreign investment into the sector will need to rise exponentially in the coming years to keep pace with rising demand for complex financial services from local and foreign enterprises.

Building lasting relationships
Jinan, moreover, has been careful to attract enterprises to the city – and then foster and nurture their growth. City officials know that, as in a good marriage, initial attraction is important, but what makes any relationship last is trust, communication and understanding.

The attraction is easy to explain. Jinan is a city with a million diversions and distractions, from high-end shopping malls to local bars and restaurants, and from Mount Tai, a few dozen kilometres to the south, to Daming Lake and the canals and springs that sprout from beneath this water-blessed city, in this way, for all the economic change that has taken place here in recent years, Jinan also feels like it has hardly changed at all. At its core, it’s still the same city it was a thousand years ago: cultured and honest, with a heart of purest water, populated by solid and upstanding citizens infused with the best beliefs of their Confucian forefathers.

But city officials have also worked hard to embed a relationship with the growing army of local and foreign investors. Government officials enthuse when they talk about this process. Wang of the JDRC talks eagerly of new measures designed to encourage small- and medium-sized enterprises (SMEs) to set up in the city, notably low land rents and tax breaks of up to 30%. A Rmb500 million Innovation Guide Fund part-financed by the state has also been launched recently, helping provide capital to any Jinan-based SME.

Outsourcing: all the right reasons

Some global experts say the global outsourcing story has reached its zenith, or is waning. Not so in Jinan, where inbound foreign direct investment (FDI) continues to grow at around 6% a year, hitting $1.2 billion in 2011, according to figures from the Hong Kong Trade Development Council.

An increasing chunk of this inbound FDI comes from outsourcing. China doesn’t yet match India when it comes to capturing the global outsourcing dollar – no one does – but it’s coming awfully close. And within China, few cities can rival Jinan in terms of its roster of high-tech firms, depth of technical colleges, and world-class hard and soft infrastructure.

Topping the list
Take NEC. Eight years ago, the Tokyo-based information technology giant was on a mission to set up a new Chinese factory, its first outsourcing centre in the People’s Republic. It drew up a short-list of six cities, including Shanghai and Beijing, but ultimately opted for Jinan. It’s a decision that Kidahashi Ryu, director and president of NEC Soft (Jinan), has never regretted.

“This is a great city for outsourcing,” he says. “The cost of setting up here is half that of India and a quarter of the cost of Japan, where human capital expenses are higher. We have great partnerships and relations with colleges here, especially with Shandong University, where we have set up a scholarship. The Japanese language skills here are also world-class.”

Around 350 offshore outsourcing-focused enterprises are now operating across the city, most of them based in Qilu Outsourcing Town, employing more than 60,000 people in an industry now annually worth in excess of $1 billion.

NEC grew quickly here. The company hired just 13 staff when it first opened its doors in Jinan; now, it employs more than 1,000, many of them high-end technical analysts serving financial, medical and information technology clients in Japan. “We jumped to become the number-one outsourcing company in Shandong province within five years,” boasts Ryu. Last year alone, NEC’s Jinan facility posted revenues of $30 million.

The company’s next ambition is to build a world-class R&D base, further under-scoring the city’s credentials both as an outsourcing centre, and as a leading Chinese technology hub. And there are other tangible reasons for setting up shop in Jinan. For the first three years of its life here, NEC paid no rent on the land it occupies, and only half the normal rate of corporate tax.

Language skills
Nor is outsourcing just a Japan-focused story. As costs soar in India, so more foreign corporates seeking an outsourcing solution are looking to China in general, and Jinan in particular. And rightly so: English language skills are rising across the mainland, while eastern China enjoys the sort of world-class infrastructure and communications facilities that India can only dream of.

Ryu says the next step for NEC is to provide more outsourcing services to corporates in countries like of Australasia and the US, notably in areas like medical services (maintaining hospital records, filling out and updating medical insurance forms, and so on) and financial services. “That is a key long-term plan for us,” he says.

And that’s not all. A recent British trade delegation to the city included G4S, the world’s leading security company by revenues, and the world’s third-largest private sector employer. G4S, says Zhang Duanwu, vice director of administration at the Jinan High-Tech Development Zone, is keen to set up an operation centre in Jinan to meet its financial outsourcing needs.

For years now, many have wondered whether China was a good fit for global outsourcers. That question has been answered. China, with its rising language skills, world-class engineering colleges and army of highly educated technical analysts, is the world’s rising outsourcing star. And shining brightest of all is the city of Jinan.
Diplomats often talk of ‘soft’ power these days, yet few truly understand what it means. Perhaps anyone stuck for inspiration should start right here. It may seem an unusual suggestion: after all, Jinan, while beloved among many Chinese, sits behind the likes of Beijing and Shanghai in the minds of most global visitors. Yet Jinan’s star is on the rise, largely thanks to its softer, cultural attributes. For one thing, this is a lovely city in which to live and work. A pleasant ‘Goldilocks’ weather system leaves it neither too hot nor too cold for most of the year. Traffic, which snarls in China’s biggest cities, is manageable here, aided by a first-class transport system. And there’s so much to do, from spring-splashing in the city centre to mountain-hopping in the country to the south.

The Confucius factor
But its biggest ‘soft’ cultural hit stems from a philosopher born more than 2,500 years ago, at a time when regional power centres were replacing feudalism. Confucius has left China a lasting legacy – his name adorns the 330-plus institutes championing Chinese culture in nearly 100 countries – nowhere more so than in Jinan, barely an hour’s drive from the great sage’s birthplace. He means a great deal to local people, who believe that the surrounding region boasts ‘one water, one mountain and one saint’, referring respectively to the Yellow River, the soaring Mount Tai and Confucius himself. It is one of the China’s golden tourist routes. Yet there’s more than ingrained history going on here. Confucius also left a legacy, through his words, of hard work, honesty and transparency, attributes instilled in all Jinan people from birth. And for that, investors of all stripes, from start-ups to the large foreign multinationals, should be truly grateful.

This sense of ‘doing the right thing’ isn’t only found here. But Jinan people take great pride in being honest, diligent and upstanding. It shines through in what they say and what they do. Tang Zhong, director of Jinan Municipal Financial Services Office, describes proudly the “honest and dutiful attitude Jinan people have to their daily work”.

Local work ethic
Nor is this merely a view ascribed to locals, by locals. Foreign workers vouch for the local work ethic and scrutability. “Jinan workers are very eager to over-perform, and very able both to know when to ask for directions, and when and how to get their own jobs done. It’s a very rewarding experience being here,” says Jason Cochran, plant manager at the local operations of German engineering giant Continental Automotive Electronics.

Cochran also points to the relatively low turnover rate at Continental, a fact mirrored elsewhere in Shandong province. Turnover rates at corporates across China tend to be high, at least compared to the likes of the US and Europe, yet that’s not the case in Jinan, where workers stay at the same company for years, even decades. This creates a sense of civic stability, constancy and honesty that investors and corporates covet, both among employees and potential business partner. Ally this to the sheer size of the city’s higher-education system – more than 640,000 students are enrolled in 40 universities and colleges, covering everything from manufacturing to IT to biomedicine – and you have a city that offers a remarkable set of clear ‘soft culture’ advantages for every investor.
that creates new business opportunities in smart energy, rail technology or light-emitting diodes (LEDs), a semiconductor-based power source.

Larger corporates setting up in one of the development zones dotted around the city can benefit from a three- to five-year tax holiday. And everyone can join the Jinan Foreign Investment Committee, an informal talking-shop allowing foreigners to chew the fat and raise issues pertaining to anything and everything with local officials.

Each zone offers benefits tailored to different strata of investors. Zhang Duanwu, vice director of administrative authority at the Jinan High-Tech Development Zone, says the industry park is learning from the past, creating new ways to trim bureaucracy, cut taxes and encourage production and investment. “In our development zone, the taxation burden is low already,” he says. “But last year, we kicked off a new policy that eliminates some business registration fees, helping companies cut and offset their start-up costs. We are trying to help investors and corporates in every way.”

And still the investment opportunities stack up. China, rarely seen in the past as an outsourcing specialist, is now moving into the sector at speed. Jinan has fast become one of the country’s 20 demonstration municipalities focused on this space. Outsourcing in Jinan generates more than $1 billion in annual revenues, and employs more than 60,000; both those numbers are rising fast. The food and beverage sector is also growing rapidly, boasting recent investments from the likes of Swiss consumer goods giant Nestlé. Meanwhile by the end of 2012, more than 10,000 logistics firms operated in Jinan. Recently the US online retailing and logistics giant Amazon set up its operations base and more are coming including, in the near future, the Italian Veyron and Singaporean Global Logistics Properties.

The latter point – logistics – encapsulates all that is good about Jinan in the mind of investors. For the most part, they want to know a few core facts about any potential new site, from the availability of financing and local resources (land, labour) to whether officials are unlikely to fiddle with rules on a regular basis. For investors of all sizes, Jinan ticks all these boxes.

Infrastructure support
Yet there’s one more box, bigger perhaps than all the rest: hard infrastructure. And in this, Jinan truly shines. This is a city located in China’s sweet spot. More than 300 million people live within 500 kilometres of the city. Major cities within this radius include Beijing and Tianjin to the north, Shanghai and the great Yangtze River Delta cities to the south, and to the southwest, inland cities like Zhengzhou.

Jinan has in recent years consolidated its position as one of China’s transport capitals. It sits in the middle of the main east coast high-speed rail artery: Beijing is less than 90 minutes to the north; Shanghai a three-and-half hour journey to the south-east. The city also boasts a gleaming airport, a brace of world-class ports nearby in Tianjin and Qingdao, and no fewer than seven expressways. Little wonder Jinan is also looking to make a name for itself in the exhibition sector, hosting national and global exhibitions covering a multitude of industries on a weekly basis.

Investing in the future
Perhaps the most fascinating aspect of Jinan’s success story is that it’s only just started. It’s clear that city officials are planning for the future. Note the number of universities and technical colleges dotted around the city, and the number of foreign invested schools – such as the local franchise of Singapore-based private schooling chain EtonHouse International – springing up around the city. Wang of the JDRC also highlights the need for fresh investment in aviation-related sectors seen as key to the city’s future.

Jinan’s future in general is bright, adds Wang, noting that the city’s economy is “strong and getting stronger”. Heavy industry continues to provide a rock-solid economic base for the city, but officials have layered a series of new industries atop these foundations, each more technology- and service-oriented than the last, from software and bioengineering, to logistics and clean energy. Jinan is a place on the rise. And the only limit for the city of springs is the clear blue sky.