

# City on the Rise

Together traditional and hi-tech industries boost the growth of a coastal city **By Lu Yan**

On October 15, 2017, in the city of Olbia on the Italian island of Sardinia, Laurent Petrynka, president of the International School Sport Federation, stood in front of a hushed audience as he opened the envelope containing the winner of the bid to host the Gymnasiade 2020, an international sporting event for young athletes. He pulled a card out of the envelope. It read "Jinjiang 2020."

Jinjiang, a coastal city in southeast China's Fujian Province, will become the second Chinese city to host the event after the 11th edition in Shanghai in 1998, its successful bid apt recognition of the city's development in the past few decades.

"I'm very excited and proud of my hometown," said Ding Shizhong, who, as chairman and CEO of Jinjiang-based Anta Sports, had a special interest in the outcome.

Anta Sports, which started in Jinjiang in 1991, has grown into China's leading sportswear brand, with more than 10,000 outlets and a market value ranked third in the industry worldwide after Nike and Adidas.

Jinjiang, which has prospered from its shoe industry since the launch of China's reform and opening-up program in 1978, is now on a mission to upgrade traditional sectors. Jinjiang's success is testament to how this pivotal policy has unleashed potential and continues to drive progress in China.

## A shoe story

Jinjiang is the world's largest producer of sports shoes. According to the city's official statistics, one out of every five pairs of sports shoes worldwide is made in Jinjiang, home to over 4,800 shoe companies with some 280,000 employees. Many brands, including Anta, Xtep and 361 Degrees, originated in the city.

In 1986, Fei Xiaotong, a renowned sociologist, came up with the "Jinjiang Model," which called for the city's economy to be export-oriented and market-led, enabling businesses, whatever their ownership structure, to develop together.

The city's shoe industry began in the small satellite town of Chendai. As China's reform and opening up got underway, the country's markets began to come to life, and commercial opportunities mushroomed in Jinjiang. This port city along the ancient maritime Silk Road has a long tradition of international cultural exchanges and trade.

In Chendai, shoe manufacturing and retail boomed as entrepreneurs realized that shoes represented a lucrative combination of huge demand and relatively low production costs. Many took the plunge, embarking on the mass manufacturing of footwear. Later, as these businesses began to expand, some entrepreneurs realized that to differentiate their products from others on the market and stay ahead of their rivals they would need to build a brand.

Soon, more than 100 shoe brands emerged in Chendai and other parts of Jinjiang. Not all of them would survive the competition of the following years, but those that did thrive and went on to claim a substantial share of the domestic market.

Today the shoe industry constitutes one of the two industrial clusters in Jinjiang and its worth exceeds \$15.2 billion. (The other major industry is textiles and garments.)

Chendai is now in the process of taking the industry to the next level by building a major market called the Jinjiang International Shoes and Textile City, which covers an area of 1,300 acres. Since it opened last October, more than 1,000 commercial tenants have moved in, selling raw and processed materials for shoe making such as accessories, fabric and leather.

"We target not only the domestic market, but customers all around the world," said Li Xiaohuan, general manager of the Jinjiang International Shoes and Textile City, adding that the goal is to build it into the largest shoe material trading center in Asia, with a complete and wide-ranging choice of products.

Ding Wanyu, manager of a company producing fabric for shoes, said the new market has helped business people like her reach



A showroom at Anta Sports' headquarters in Jinjiang, southeast China's Fujian Province

international customers through trade fairs and exhibitions.

"We have established links with customers from South America and the Middle East, and I believe that continuing to upgrade our products to cater to customers' demands is the key to better business," she said.

Going global is an objective shared by many of Jinjiang's entrepreneurs. Anta Sports chief Ding Shizhong said that for a long time China's products were popular on the overseas market for their low prices, but that things were now beginning to change.

"Many companies are targeting upscale consumers with quality products that are being well received," said Ding. "For example, in March we launched a pair of limited-edition basketball shoes in San Francisco that were priced at nearly \$160. Young people were queuing up to buy them. This is what 'Made-in-China' brands are capable of."

Despite this success, finding a way into the global market is not easy, and Ding is aware of the gap between Anta Sports and other global industry leaders.

"This year we plan to visit the foremost technology companies in the United States and learn from them," he said.

## Hi-tech power

Entrepreneurs like Ding Shizhong realize how important technology can be, and so does the Jinjiang City Government. According to a government report, the city has cultivated 85 hi-tech companies so far, and research and development investment now accounts for 2.65% of the city's GDP, up from 2.42% in 2011.

"But hi-tech industries account for a relatively small proportion of the city's economy," said Deputy Mayor Wang Wenhui. "Innovation-led development here is far from strong."

In 2016, the city began to develop the integrated circuit (IC) industry as a new engine of growth, in line with the national policy to advance IC technology.

According to Wang, Jinjiang will start with the production of memory chips, before

going on to build an IC industry chain incorporating design, testing, manufacturing, packaging and terminal application.

"We plan to make the IC industry another industrial cluster worth more than 100 billion yuan (\$15 billion) by 2025," Wang said.

A well-developed IC industry can help the city upgrade traditional industries and products, such as shoes, clothes, daily-use items and machinery. Wang revealed that local manufacturers have already explored the possibility of putting chips in shoes.

"Some companies are also trying to put chips in diapers to help detect and draw attention to children's bowel movements, and even check their physiological status," Wang said. He believes that traditional sectors provide a huge potential market for the application of hi-tech devices.

Xu Zheng, a former Silicon Valley engineer, recently decided to settle down in Jinjiang, a city with a population of 2.3 million.

"Jinjiang is a lot like Silicon Valley, a quiet place without the hustle and bustle of megacities, ideal for academic research," he



Technicians run tests on new equipment at Fujian Jinhua Integrated Circuit

said. "The traffic is not so bad here. If I need to take a plane, I can leave my home half an hour before boarding."

Xu is deputy general manager of Fujian Jinhua Integrated Circuit and is a key member of the team responsible for the company's growth. Established in February 2016, Jinhua has been working on a memory chip project and is one of the main sources of innovation in Jinjiang's burgeoning IC sector.

With talent pouring in, Jinjiang looks poised to enjoy the best of both worlds. "We hope that mature traditional industries can serve as a solid base for emerging industries, and that the advancement of the latter can bring a new look to the former," said Wang. ■

To learn more about developments in Jinjiang and other places across China, scan the QR code for Beijing Review's special report on the 40th anniversary of China's reform and opening up. Comments to yanwei@bjreview.com

