

# China's Chengdu aiming to be world's next Silicon Valley

December 30 2012, by Sebastien Blanc

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This file photo shows a developer testing a game for children in his office in Chengdu, southwest China's Sichuan province, on December 12, 2012. Entrepreneurs in China's southwest are dreaming of turning the city of Chengdu into the world's next Silicon Valley as the government encourages more investment outside the booming coastal regions.

Entrepreneurs in China's southwest are dreaming of turning the city of Chengdu into the world's next Silicon Valley as the government encourages more investment outside the booming coastal regions.

Small startups as well as big-name western companies have flocked to the metropolis of 14 million people, attracted by cheap labour costs and favourable government investment policies and hoping to tap into China's rapidly expanding consumer market.

And the [Silicon Valley](#) dream is becoming reality as the city, already a hi-tech manufacturing hub, seeks increasingly to become a magnet for software development and innovation.

Between one-third to one-half of the [iPads](#) sold worldwide are assembled in Chengdu, while [computer giant](#) Intel makes up to half of its chips in the city.

Far from the booming [coastal regions](#), Chengdu can offer perks through the government's "Go West" development programme, with incentives for startups such as one-year interest-free loans.

So far it has attracted about 29,000 companies to its 130-square-kilometre (50-square-mile) "hi-tech development zone", including about 1,000 foreign enterprises.

Chengdu is also developing a nearby "Software Park" as the city aims to go beyond manufacturing and become a centre of innovation.

At Chinese startup GoodTeam, a [software engineer](#) shows off his latest creation: a game in which players try to place a bottle into the mouth of a baby.

The application is being developed for pre-schoolers between one and three years old, the age at which children in Chengdu begin to toy with computer technology.

Founded in 2009, the startup employs 32 people and has seen strong

growth in the [gaming market](#), with most of its applications used on [mobile telephones](#).



This file photo shows a technician working on his desktop PC at a foreign-invested software company in Chengdu, China's southwestern Sichuan province, on July 14, 2006. Cheap labour and lower start-up costs are luring foreign companies to Chengdu, helping to revitalize an ancient city in western China determined to close the gap with the more prosperous east.

"In July 2009 we had about five downloads a day, today we have more than 100,000 a day for each game. We are confident in the market," Liu Jia, a GoodTeam manager, told AFP.

"Since we started we have survived three crises but it has been the hi-tech zone that has sustained us by allowing us to borrow money."

With five nearby universities focusing on science and technology, cafes and restaurants around the development zone have become networking hotspots for software programmers.

"The best reason (to come to Chengdu) is the education environment. The region has great universities," Xiong Jie, the director of Thoughtworks, which runs an Internet site for a group of Australian insurance companies, told AFP.

"Only China and India have this talent pool. We have grown very fast, we started with zero people in April and now we have 50."

The company plans to add at least 30 more workers in 2013 and all will likely be aged under 30, he said.

The zone boasts Chinese technology companies like Lenovo, Huawei, ZTE and the Taiwan electronics giant Foxconn, as well as Internet portals Tencent and Alibaba.

Foreign companies include Texas Instruments, Intel, Fujitsu, IBM, Hewlett Packard, Microsoft, Sun, SAP, Ubisoft, Siemens, Motorola, Nokia, Ericsson, Alcatel and Dell.

Chengdu highlights the changing nature of the technology scene in China, where Beijing, Shanghai and the metropolis of Shenzhen near Hong Kong have long been the centre for the country's IT industry.

Multinationals have traditionally set up in those areas, initially making products for export but increasingly tapping into the country's lucrative domestic markets.

Sales revenue for Chengdu's information technology sector neared 36 billion euros (\$47.6 billion) in 2011, with 20 million computers

produced and production capacity four times that.

In 2012 production capacity was set to surpass 100 million, with more than 50 million computers delivered, while by 2015 capacity is expected to reach 150 million tablets and 80 million laptop computers.

"Although the speed of growth has slowed everywhere, for us the loss has been minimal," said Tang Jiqiang, the Chengdu hi-tech's zone's director of strategy. "We have seen growth slip from 25 percent to 23 percent."

Overall, Chengdu expects economic growth of 13 percent in 2012, down from around 15 percent in recent years, but still well above the expected national average of about eight percent.

Gao Wenshu, an expert on labour economics at the Chinese Academy of Social Sciences in Beijing, said Chengdu's skilled labour force could help it emulate Silicon Valley.

But the city offers relatively low wages compared to Beijing, Shanghai and Guangzhou, and the challenge will be attracting and keeping an innovative workforce.

"I don't think the local salary level can meet the high-salary demands technology specialists seek," Gao said.

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