

Round-Table Conference: Location Selection & Development Zones

Whether you own a small, medium, or large sized enterprise in the service or manufacturing sector—you should be aware of the changing climate. EU Sino Business Consulting certainly is. Due to China’s deepening economic revamping, several shifts have occurred. These new developments are having significant effects on the understanding, research, and selection of operational sites. Twenty or ten years ago, energy-intensive industries were easily welcomed into the Chinese market and in a sense, allowed to choose their own operational sites. Now, the choice is limited and depends extensively on certain elements.



EU Sino Business Consulting sought to explain some of those elements. The round-table conference convened China experts and executives with varied experiences to discuss how companies select their operational sites and the differences between China’s development zones. The round table, held in the heart of Shanghai, attracted about a hundred attendees representing over twenty sectors—managers of

foreign and local enterprises, leaders and experts of emerging industries, and consulting firms.

Operational site choosing often requires balancing multiple priorities such as; market potential, costs, risks, and infrastructure. In many cases, operational site choosing done in various sectors, including energy, transportation or service and manufacturing sectors might require special considerations. Major themes of the panel discussion included: environmental protection, talent recruitment, and the dynamics between local governments and businesses.

The event kicked off with Mr. Yves Combres, General Manager at Framatome, sharing four pillars that need to be considered while choosing operational sites, including: (1) technical characteristics of the land (2) legal state (3) social (4) logistics.



Mr. Combres placed a great emphasis on the characteristics of the land pillar which prioritized *“evaluating, sound and reliable*

information” which can apply to area servicing, water treatment, weather risks and much more. The key point, as an enterprise you must be clear of your surroundings and key clusters of activities before making final decisions. Additionally, the panelists agreed there was a practical need for extensive knowledge of the pool of accessible talents. It can be effortless in big cities like Shanghai, Beijing, and Guangzhou, but realistically speaking, these areas are well developed and the incentives and subsidies are stationed in less developed areas, which might not always have the talent management or education level required for an enterprise, says Mr. Denis Bortzmeyer, APAC scientific director at Arkema.



Mr. Stephane Grand of S.J. Grand further echoed Bortzmeyer’s statement about the attraction of

an area heavily relies on the student makeup, thus the engagement and integration with the local academic world, is pivotal. Often, depending on the location, zones can offer the talent supply or create specific programs based on the skills the business requires.

Awareness of the local workforce competencies are certainly important and can have significant effect on how locations are chosen.

Panelists agreed that the regulatory framework of environmental policy in China is fast-changing. In light of various new regulations, Mr. Phillippe Snel of De Wolf, stated that companies are



often “invited to come, but not to stay”, expanding that business that require high emission activity are not welcome. Priorities have shifted, elevating the environment as the focal point. It is essential that companies are constantly aware of their environmental footprint and utilizing Best Practical Means (BPM) in pollution control. The reality is that both foreign and local factories are closing due to these stringent policies.

There is comfort level that often occurs when foreign entities land in China especially with relationship building by companies thinking they do not have to engage with local governments. This is not true; the panelists stressed the importance of building an active relationship with local governments. In contrast, Mr. Grand shared with the attendees that local governments are often fickle, and “inviting them (local governments) into your affairs” can prove to be beneficial because it sends the message of transparency. In contrast, be wary because leadership often changes, and rezoning occurs frequently, “*zones change, and advocates change*”, says Mr. Grand, further proving that **friendship isn’t enough, but good practices are.**

Zones have their own objectives, advantages and limitations. However, China’s economic development zones are a set of special administrative and economic regions which often aim to attract foreign investors. China’s development zones vary significantly.

For example, there is an administrative difference between the priorities of a provincial level development zones and a township one,

explained Zolzaya Erdenebileg of Dezan Shira & Associates. Furthermore, location and industry clusters play an important role. Comparing how companies choose their operational sites, zones are differentiated by their access to talents but also the technical aspects, expressed Eline Van Nistelrooij from the Consulate General of the Kingdom of the Netherlands. Xiangcheng's High-Tech zone Vice-chairman, Mr. Gu Haidong mentioned that the same way operational sites are chosen by companies entering the Chinese market, development zones differentiation relies on proximity to supply chain for targeted industries and infrastructural maturity within the zone. The infrastructure planning can make or break a development zone.



Likewise, “*a readily, healthily built real estate environment,*” said Mr. Joachim, from CBRE, deter or advance a zone.

Development zones can be tricky – especially figuring which zones serves what purpose – but if matched with the correct expertise, companies have a sheer advantage of knowing what is available to them.

All panelists agreed that **the best way to be in the know, is to do the research** so that you are aware of the changing business environment.

Looking Ahead:

Attendees expressed interest in exploring the sectors that were currently a priority in China and the different development zones, having future discussions on the role they can have ensuring that they are in the “know” about the changing dynamics of the landscape. The key point stated was by Yves, highlighting that “*nothing should be taken for granted*”, just because your company worked in your home country, does not mean it will work in China. **The Chinese market is vibrant, full of challenges, but overcoming obstacles will prove to be advantageous.**

THANK YOU

EU Sino would like to take the time out to thank all of the panelists. We truly appreciate your support and hope it was meaningful for all the attendees

A special thanks to our co-organizers **CCI France Chine** and **BenCham** for diligently working with us to make this event a success!

