

EU Sino 3rd roundtable event held on September 7th in Shenzhen, in collaboration with CCIFC (French Chamber), ENRICH, Finncham, and French Tech was again a huge success. It attracted over 50 people including entrepreneurs, startups and a few foreign government officials. This roundtable discussion took place at Beeplus, within Nanshan Science and Technology Park, home to many Chinese and international high-tech companies.



The event focused on how the Pearl River Delta area managed to shift from low-cost to high-end manufacturing and how Shenzhen has become a good illustration of China's new innovation hubs. Experts from various sectors shared their knowledge and understandings and compared also with their tech-experience abroad.

Shenzhen clearly started as a center for low-cost manufacturing several decades ago. Today, the city is home to many large Chinese high-tech companies, such as Tencent, Huawei, BGI, etc. It is not only one of the biggest manufacturing centers in the world where things are getting done quickly, but it is also at the forefront of innovation in China.

Mrs. Rosy Wang, Senior Lecturer of MS Training, illustrated the trend with the example of mobile phones: while Shenzhen was exclusively focusing on producing the phones, now it is also developing applications and software used on those smartphones.

Renaud Anjoran, General Manager of SOFEAST, said: *"For me, the symbol that Shenzhen had moved into advanced manufacturing and innovation was the moment when the first factory in Nanshan was transformed into an office space !"*.

Main drivers

The proximity of Shenzhen with Hong-Kong, and the resulting openness to international business, is certainly one factor that kept the city at the leading edge of changes.

Both Michael Eagleton, General Manager of FABAPC and Daniel Manso, General Manager of CNIM China, pointed out that foreign customers are a driving force leading factories to more advanced manufacturing practices

such as zero-defect production. They also supported a sustained move toward high-end and innovative products. Doing things cheap and fast was not enough to satisfy customers anymore.



Moving further to another factor, Michael Eagleton explained, *“how China’s regulations were a driving factor for companies, especially in the electronics industry”*. In 1980, Shenzhen was promoted as the first out of five Special Economic Zones, and government policies played a significant role in bringing companies in the region. The local government learned

how to make policies effective. Recently Shenzhen has deployed a wide range of pro-innovation policies leading to an extremely fertile ground for startups and accelerators.

Derek Cowburn, CEO of Lumen Cache, agreed with this point and explained how his joining a hardware accelerator as well as having genuine support from Chinese key government agencies helped his project.

Finally, Rosy Wang and Renaud Anjoran both highlighted the importance of a specific Shenzhen spirit. Most people in Shenzhen are there because they decided to move to the new growing city. This generates a special spirit conducive to embracing new things as well as cooperating with other people. Renaud called it *“Shenzhen’s natural filter which leads to resilient and entrepreneurial people”* and Rosy talked about *“Shenzhen’s family spirit that brings people closer together and ready to cooperate”*.

Challenges

Innovation goes together with talents. The success of innovation based organizations makes the demand for talent larger than supply. This makes it harder to find and keep experienced engineers and professionals. *“It is particularly hard for small and medium-size companies which do not have the impact of big names like Tencent or Huawei,”* said Pekka Laiho, General Manager APAC of Optofidelity.



With a more positive touch, Daniel Manso, General Manager of CNIM China, added that *“companies can find creative ways to attract more qualified talents, for instance, by bringing (future) employees into more interesting projects”*.

Michael Eagleton also reminded the audience that Shenzhen has an active policy to help companies bring talents from other regions. Whenever a Chinese citizen is deemed qualified enough, he or she becomes eligible for a

fast track residence registration (hukou) process. In other cities, it is not always the case. Shenzhen is also promoting the return in Shenzhen of Chinese nationals who studied abroad.

In spite of these approaches and policies, technical and professional talent retention remains a challenge and may become expensive.

Pekka Laiho described how for Optofidelity, even though it is owned by a large Chinese state-owned enterprise, the cost of an engineer in Shenzhen is twice as high as in the original Finland based headquarter. Optofidelity, therefore, keeps its core R&D in Europe.

While many policies in place are helpful, it is also obvious that some of the investments made in technology may be misplaced. In particular, Derek Cowburn brought to our attention how “when you talk about blockchain, some government will give you access to programs with significant incentives and financial support”, it is not clear what the long-term impact of these efforts will be and it can be frustrated for genuine innovation in other sectors.

Pekka Laiho also illustrated how a similar phenomenon is taking place in the academic world: *“scientists’ and professors’ achievements are measured by the number of papers and patents they submit. As a consequence, there is a lot of low-quality publication out there and patent requests with no chance of success. A focus on quantity vs. quality”*.

Daniel Manso put this in context: *“At the moment, innovation is a little like a very steep pyramid. At the top, you have a few companies with world-class innovation and practices. And then, lower, you have a mass of companies that still need to bring up their game”*. But the pressure to move up is real and is happening.

Renaud Anjoran reminded everyone that those who do not move up die. In the past, Shenzhen was a very strong cluster for the eyewear industry. But nowadays, the entire cluster is centered around the city of Wenzhou, in Zhejiang province. While Wenzhou companies were innovating and improving their game, Shenzhen manufacturers of eyewear tended to rest on their reputation, size, and strength. To the point where they lost a big part of the business.

Innovation in all sectors – Opportunities for foreign companies

It is clear that there is increased innovation in China, certainly in localizing business models, online gaming or mobile payments, and biotechnology. But is there innovation in all sectors?

Our moderator, Etienne Charlier, pointed out that it seems China has not created much endogenous innovation in sectors such as automation and industrial robotics, even though this is a National priority (Made in China 2025 national program).

Daniel Manso witnesses that the Made in China 2025 program is helping companies to improve their practices. He also believes that a place like Shenzhen is a good place for innovation - *"it is well suited for that purpose because of a very deep and ever wider supply chain, combined with its technology friendly culture capable of delivering small devices, from design to prototype to fully functional final products at lightning speed."*

Today, Suzhou Xiangcheng government is also focusing on investments in innovation. They held the Sci-Tech & Innovation Investment fair in Shenzhen on the 8th of September and signed 34 projects.

EU Sino is working with Xiangcheng government to assist foreign companies to land and expand in China. We act as an experienced and trusted link among three parties – foreign companies, local industries, and the Chinese government. We aim to create a Sino-European networking and share knowledge of experts.

EU Sino would like to take the time to thank all the panelists. We truly appreciate your support and hope it was meaningful for all the attendees. A special thanks to our partners French Tech-Shenzhen, ENRICH, CCI France Chine, and Finncham for diligently working with us to make this event a success!