

Suzhou - China's new engines of growth

When thinking of mainland China's economic landscape, four names are on the top of everyone's mind:

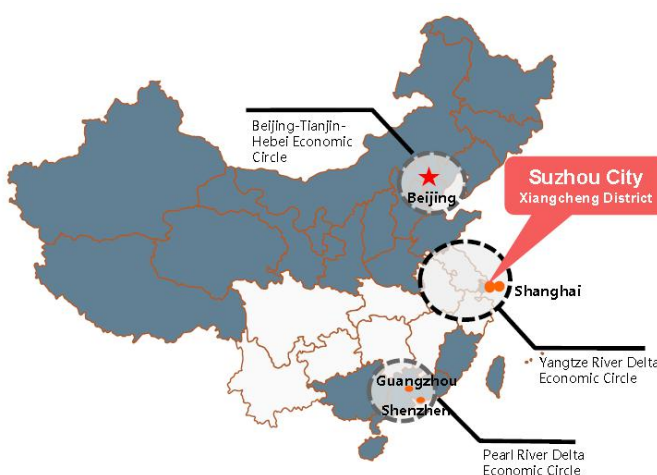
- Beijing (North, capital/political center)
- Shanghai (East, financial center)
- Shenzhen (South, technological center)
- Guangzhou (South, manufacturing hub)



China's engines of growth have diversified and decentralized in the recent past with new centers emerging around them.

Today, China is in the middle of a fundamental transformation away from heavy industry and low-skilled labour towards advanced and cleaner technologies for industrial applications and a new focus on R&D. With the national, provincial and city governments all collaborating together, Chinese economic policy and private forces in the market, have propelled the growth of these new sectors.

This is reflected in the increase of patent filings all across China. It is no surprise that Shenzhen takes the cake for most patents filed per capita (*Forbes (福布斯), 2018*). However, one name in the top five stands out: **Suzhou claims right behind Beijing the number three spot, ahead of Shanghai and Guangzhou.** Last year until August, Suzhou accepted over than 92 thousand patent applications, more than 7,700 patents were granted (*Forbes (福布斯), 2018*). It is one of many indicators in recent years that shows how Suzhou quietly approached and tied the economic output and dynamics of the top tier cities and asserted itself as one of the main engines of growth in mainland China (*Wang, Shen, & Chung, 2015, pp. 60-62*).



Where is the Yangtze River Delta and Suzhou?

The Yangtze River Delta consists of major economic and population centers in the province of Jiangsu¹ around the Yangtze river (长江), south of it with the greater area of Hangzhou, the capital of Zhejiang, and its economic centers along the northern coastline (such as Ningbo-Zhoushan) and the city of Shanghai. The area encompasses a

¹ For further information about Jiangsu Province view: Long, G. & Ng, M.K. (2001). The political economy of intra-provincial disparities in post-reform China: a case study of Jiangsu province. *Elsevier Geoforum*. Vol. 32, Iss. 2. (pp. 215-234). DOI: [https://doi.org/10.1016/S0016-7185\(00\)00030-0](https://doi.org/10.1016/S0016-7185(00)00030-0)

population of around 100 million people (6% of the Chinese population) and is accountable for around **20% of the entire GDP of China**, which makes it one of the largest population and economic center in the world (Han, et al., 2017, p. 1041) . The current dynamic growth of the area is reflected in the ranking of the top 30 innovative cities where 15 spots are all occupied by cities in this economic area. It demonstrates how the cities in the Shanghai-Nanjing corridor have become its own growth engine itself.

In the heart of the region lies the greater metropolitan of Suzhou with 10 million population. Its total economic output is among the top 7 cities in China (Phb123 (排行榜), 2018) . It is made up of the central city districts as well as several townships including Kunshan & Taicang which both separately made it onto the top 30 list of innovative cities (Rank 11 & 19) (Forbes (福布斯), 2018). It is especially notable because the greater metropolitan area of Suzhou is the only one on the list that occupies multiple spots.

Thanks to its **geographic location**, Suzhou has a unique comparative advantage to other areas in transportation, as it only takes 20-30 minutes to reach Shanghai and 45 minutes for Nanjing. This means that 12 out of the top 30 innovative cities of the list are reachable from Suzhou within less than one hour by high-speed rail or car.



Why is Suzhou surging so fast?

Apart from the key geographic and demographic features of Suzhou, its success can also be attributed to pragmatic approach of its public policy and the effective cooperation and distribution of resources by the different levels of governance.

Suzhou's plan of economic development has revolved around targeted measures that ease the burden of regulation, lower the barrier of entry into the Chinese market and has been providing resources for assistance in landing and taking off. The second aspect of its development plan has been to foster spill-over effects and increase the efficiency of collaborative endeavors. To that end, the government of Suzhou designs each district to have a distinct focus and cluster of ventures to maximize the utility of its proximity. Additionally, Suzhou prioritizes the construction different infrastructure for the needs of each district, by building test facilities and office spaces that is designed for dynamic interaction with community spaces.

Where is the future growth potential of Suzhou?

Despite not having reached the size of one of the top four cities in China, Suzhou's economic output is impressive and there is still plenty of room to grow in terms of space and potential. Whilst Suzhou has already reached a level of the GDP per capita of around 22'000 USD which is comparable to the one of the Czech Republic, the surrounding area has yet completed the transition from agriculture to fully fledged urbanization (CEIC, 2017) & (Worldbank, 2019).

In this whole process, one development zone stands out in its growth potential: High-Speed Rail New Town (HSR). HSR has the unique advantage of a new major high-speed railway station, Suzhou North, that enables its population to reach Shanghai in 23 minutes and Beijing in under 5 hours.



At the same time, it is just at the start of its rapid development and is prioritized by the government of Suzhou for economic development of R&D and innovation in software applications for the industrial process, new materials, advanced automation in the manufacturing process and new forms of transportation and energy sourcing. These efforts have already yielded results and a number of autonomous driving companies have set up a strong presence in the zone, such as Plus AI, Momenta, Singulato and others. Moreover, Huawei, Tencent, Alibaba and more other companies have all set up their R&D centers in Suzhou.

Quo Vadis China and Suzhou?

The national government's at times complex domestic and international policies towards foreign owned enterprises and residents, has yet to be integrated into the international system. Currently, it remains an open question, whether it will level the domestic playing field for investing and doing business in the Chinese market.

However, China's cities such as Suzhou can and are partly alleviating that concern by providing tailor-made conditions for foreign skills and capital to set up a presence in its boundaries and continuing the trend of China's economic integration with liberal market economies.

To explore the incentives to set up and have a gateway into the Chinese market, EU Sino can assist new businesses on how to maximize these benefits. EU Sino furthermore provides a team of Experts that are from a foreign background for the needs of foreign companies, with extensive knowledge and resources to help them guide the jungle of local ecosystem in China.

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