

**CHENGDU: A RISING ECONOMIC STAR
IN WESTERN CHINA**

YU Hong

EAI Background Brief No. 843

Date of Publication: 22 August 2013

Executive Summary

1. Chengdu, the provincial capital of Sichuan, is one of the world's fastest-growing cities, registering remarkable economic growth that has put it under world spotlight. Multinational corporations have shown growing interest in pursuing business opportunities in Chengdu.
2. Chengdu has undergone tremendous economic transformation over the last decade, clocking an economic growth rate of 17.6% in the past ten years.
3. In 2012, the Singapore-Sichuan Hi-Tech Innovation Park set up in Chengdu is the first development project between Singapore and a location in western China. It is an indication of Singapore's confidence in Chengdu's future development and its support for China's western development strategy.
4. The Fortune Global Forum 2013 held in Chengdu from 6 to 8 June 2013 was reflective of the Chengdu government's inclination to boost local economic growth and raise its international profile.
5. Chengdu is the first city in western China to host such a forum. It not only reflects the rising international profile of Chengdu and the growing economic importance of the western region, but also signals that the epicentre of Chinese economic activities is moving towards the west after 30 years of reform and opening up.
6. Chengdu is one of the main beneficiaries of the state-driven western development initiative launched in 1999. It is catching up to some extent with coastal cities thanks to state initiatives on western development. Chengdu's strategic geographical location provides a perfect link between eastern, central and western regions in China.
7. The rising production and labour costs in the eastern region and the global economic turmoil have pushed many foreign-invested manufacturing factories

to relocate to the western region in search of cheap labour and land. Chengdu is taking this development opportunity to attract more foreign investors to set up business operations in the city.

8. Despite its remarkable development, Chengdu still faces serious challenges. Unlike other developed cities in China, Chengdu's economy is still small, making it difficult for Chengdu to generate spillover effects to neighbouring regions that would enable it to become the western region's growth engine.
9. Chengdu also faces fierce competition, both domestically and internationally.