



The Feiyue corporate showroom,
Taizhou City, Zhejiang Province.

The Powerhouse Province —Zhejiang Soaring

■ Text by Lowell Bennett

On the twisting-turning and perpetual path to the greater good, the leaders of government and industry to whom the history books will be most kind hold true to a societal course that advances their nation in a moral, ethical and sustainable manner. The broad concept of sustainable development might be fundamentally defined in three parts:

- * Advance industry; but do so with care, control and foresight.*
- * Advance culture; but cherish, respect, and learn from the past.*
- * Advance society; but know that our society is not the exclusive domain of the powerful inhabiting the capitals of commerce. Our society is of all the land, and held within are all her people.*

Today this still developing nation of China struggles to equitably accommodate 1.3 billion citizens while advancing industry and protecting the land. Those citizens are diverse and not equal in education and ability; industry is accelerating at a rapid and problematic pace; the land is vast and its resources are at risk. And ahead are known, unknown and formidable obstacles still to be navigated.

Yet across the nation, within its remarkable and vibrant cities, upon its extraordinary rural landscapes, and among its resourceful and good-hearted people, signposts of collective progress are everywhere.

*Those undertaking the honorable quest for progressive and sustainable development are being rewarded –
And Zhejiang thrives.*



In Taizhou City, Zhejiang Province, stitching the logo for the 2008 Beijing Olympic Games to come at Feiyue, a major manufacturer of industrial and consumer sewing machinery with operations worldwide. by Luo Xianyong



At CHINT, where the stated company policy is to operate with a "humanistic" approach, workers are fast at it. Assembling a variety of electrical mechanical devices within a huge air-conditioned production facility, they are paid by the piece, and typically earn between 1,500 to 2,500 yuan a month, well above the regional average. Work days run about eight hours, with one break plus lunch. CHINT maintains their health and welfare insurance, and dormitories and commissaries provide housing and meals as part of the deal. by Lowell Bennett

At the close of 2005, the level of international import/export trade volume in and out of China's southeastern coastal province of Zhejiang topped \$107 billion, one of only four provinces to hit this mark. By all accounts this benchmark was achieved through progressive policies that have realized a lucrative level of regional prosperity, ongoing openness to foreign enterprise, greater gains for a better educated citizenry, and more cautious care for the environment.

Spanning a land mass of 101,800 square kilometers, with 49 million residents derived from 50 ethnic groups, the province of Zhejiang in 2005 imported materials, machinery and goods valued at \$30.6 billion; and exports went out at \$76.8 billion.

A notable portion of Zhejiang's growth is attributed to a market that is extraordinarily receptive to foreign-based firms. Today more than 2,200 foreign enterprises operate within Zhejiang's borders. That's more foreign-owned enterprises than any other province in China. The province maintains eco-



Outbound-Goods ship out of the massive Ningbo Port, Zhejiang Province. by Lowell Bennett

nomical and trade ties with more than 220 nations and regions, and 76 of the world's top 500 companies have established more than 190 enterprises in Zhejiang.

In 2005, more than 71 percent of Zhejiang's total GDP was generated by private business, with the province able to boast 188 enterprises among the list of Top 500 Enterprises in China, as determined by the Chinese Federation of Enterprises (CFE).

Explaining Zhejiang's success in general terms, while extending a philosophical application, Xia Baolong, deputy secretary of the Zhejiang Provincial Committee of the CPC, says, "Zhejiang people have combined Confucius thought with doing business to form a unique system of values prioritizing business and education at the same time ... giving prominence to ethics and culture on the one hand, and entrepreneurship and creativity on the other."

Competitive Credentials

The homegrown entrepreneurs have proven to be the primary drivers in both global cooperation and domestic revenues. Today more than one million so-called "Zhejiang Businessmen" actively do business in nearly every nation on Earth, according to the provincial government. And according to the Global Competitiveness Report 2005, compiled by IMD International Business School of Lausanne, Zhejiang ranked 20th among the 60 nations and regions evaluated. Of the 50 Best Competitive Brands in China, as designated by the China Academy of So-

cial Science, Zhejiang firms hold 23 positions.

Stanley Crossick, governing board member and founding chairman of the influential Brussels-based think tank, the European Policy Centre (EPC), offers his view on the rise of the Zhejiang Businessmen. "The historic entrepreneurial tradition within the region enabled Zhejiang to get a running start when reforms began. Several of the more resourceful individuals became natural leaders in the push for future business development. This is exemplified by the remarkable gains of their most successful and self-made businessmen, a few of whom actually began their careers as shoemakers. In a single generation, they progressed from being small entrepreneurs to become the leaders of enormous international business concerns."

A business savvy provincial government helped, according to Mr. Crossick. "The large, modern factories could not have been put to their best use without an efficient infrastructure, and private sector development has been strongly supported by provincial and municipal governments."

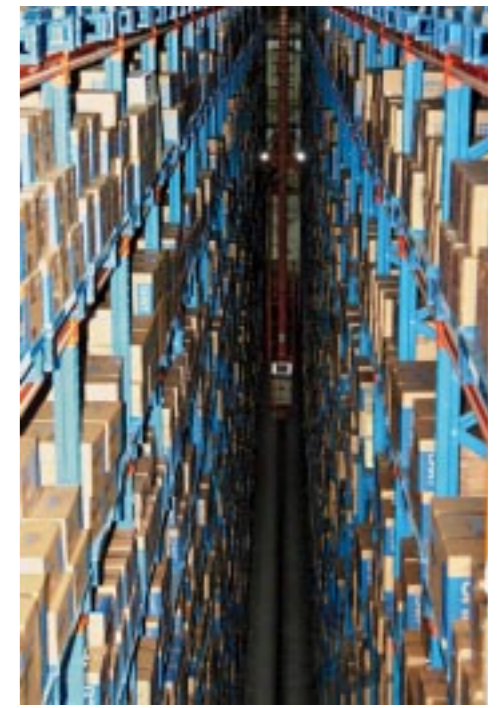
Corporate Cooperation

Representative of Zhejiang's inclination to Sino-foreign cooperation is Rousselot (Wenzhou) Gelatin Co., Ltd., a JV established by and between Rousselot SAS France, and the Zhejiang Sanfan Gelatin Factory, the two corporate partners holding 70 and 30 percent, respectively. The venture generated sales of 130 million yuan (\$16.2m) in 2005, and 8.7

million (\$1.08m) of that went to the local government in the form of tax revenue. Sales in 2006 are projected at 200 million yuan (\$25m). Management says they are on track to hit 600 million yuan (\$75m) in 2008, thus becoming the largest producer of gelatin in Asia.

Utilizing not only imported materials and machinery, but also heavyweight foreign management talent, is the Sharmoon EZ Co., Ltd., a maker of better quality men's suits. Formed in 2003 as a 50/50 joint venture by and between Italy's Zegna Group and China Sharmoon Garment Co., Ltd., the firm employs 3,000 people and annually turns out 300,000 suits. The chief designers are Leo Rogna, formerly of Zegna, and Christophe Fortis, formerly with Versace. Chen Xiaoxiang, the JV's president, successfully recruited Zegna's then global vice president, Silvio Galimberti, to serve as the Sharmoon EZ's CEO.

Producing a fundamental commodity for which Zhejiang has become famous, the Kangnai Group Co., Ltd., annually turns out more than 8 million pairs of shoes. The company employs more than 4,000 workers, designers and managers, with output realized within a manufacturing facility spanning 1,280,000 square meters. Far from the bargain basement brand, Kangnai shoes are mid-



In Wenzhou, Zhejiang Province, one of many automated and computerized load-out bays at CHINT, a major manufacturer of electrical mechanisms with worldwide operations and sales of \$1.5 billion. by Lowell Bennett

to high-level in quality, with the average retail price at foreign outlets running about \$60 per pair. Domestically, the company operates 2,500 retail outlets supported by 45 marketing headquarters. Internationally, besides thousands of foreign client retailers, there are more than 100 Kangnai shops in 10 nations, including the US, France, and Italy. That's just for starters, according to Kangnai's pre-

sident, Zheng Xiukang. "In the next five years, Kangnai will open at least another 1,000 Kangnai shops within the key districts of the world's major cities," he said.

Like most of Zhejiang's major exporting firms, Kangnai imports much of its machinery and raw product from suppliers in other nations.



During a seven-day fact-finding tour, Stanley Crossick, governing board member and founding chairman of the Brussels-based think tank, the European Policy Centre, contributes to the regional economy as he forks over 168 yuan (\$21) for the acquisition of a stylish new pair of high-end sunglasses, produced in Wenzhou, Zhejiang Province. by Luo Xianyong



Just before boxing, final inspection of electrical switches on a CHINT production line. by Lowell Bennett

Elevating Environment

In contrast to an otherwise decidedly pro-business disposition, in recent years Zhejiang's regulators have shut down or suspended the operation of more than 6,000 enterprises—polluting enterprises.

Zhejiang is at the forefront of China's drive to limit pollution and clean up the air and water. In the past five years, according to the provincial government, more than 330 eco-friendly proposals and resolutions have been processed. Anti-pollution measures backed by an investment of 10 billion yuan (\$1.25b) are now in play to protect eight river systems and 11 designated environmental zones. Some 35 centralized wastewater treatment plants and 36 trash treatment plants are now in operation. The result has been a general stabilization of conditions in the province and a marked improvement of urban environments.

In the past five years, regulators say water quality in about 65 percent of the province's water systems have improved by better than 10 percent. And conservation has resulted in sustained forest coverage of more than 60 percent.

By 2010, the provincial government says more aggressive goals will be met. These include: Reducing sulfur dioxide emissions by 15 percent; bringing 85 percent of water supplies to a drinkable standard; and the treating and safe disposal of all hazardous industrial waste. The air quality goal is to meet the national Grade 2 standard of safety for 292 days out of the year.

And according to Governor Lu Zushan, Zhejiang is determined to boost energy efficiency across the board. "(Zhejiang) has set a goal which requires the energy consumption per unit of GDP in 2010 to decline by 15 percent from 2005." About 60 county-level officials and 11 mayors have been tasked with heading up programs to boost energy savings within their respective jurisdictions.

Signpost Stats

Zhejiang was the first Chinese province to introduce a program of compulsory 15-year education, from preschool to senior high, and illiteracy has essentially been eradicated. There are now more than 70 institutions of higher learning educating about 500,000 students, and approximately 70 per-

cent of high school graduates go on to university.

Since the reforms and opening up commenced in the late 1970s, a province once poor in economic infrastructure, Zhejiang has realized impressive fiscal gains to take its place as the province ranking fourth in terms of GDP. In 1978, then rated 12th among the provinces, GDP stood at 12.4 billion yuan (\$1.55b). GDP has since expanded at an annual average of about 13 percent, and in 2005, volume hit more than 133 billion yuan (\$16.6b). In China the province is now ranked fourth in terms of overall economic productivity.

Today, provincial stats indicate that total annual fiscal revenue stands at more than 211 billion yuan (\$26.3b), per capita GDP tops 28,000 yuan (\$3,500), and overall economic expansion is now running about 14 percent annually. Per capita disposable income is among the highest in China, 16,294 and 6,660 yuan, in urban and rural areas, respectively. In the rural areas, in 2005 per capita income had increased by 42.7 percent over the year 2000. And in all areas, annual increases in individual disposable incomes are averaging about 7.5 percent.

Academic Advisory

Lynn White, author on the subject of China and a professor of politics and international affairs at the Woodrow Wilson School at Princeton University, believes the successful dynamism of Zhejiang could, to some extent, serve as a model for China's future. "The best of China's recent leaders have been experimentalists; 'crossing the river while feeling the stones,' as they say. Not just the nation's top leaders, but also leaders at many intermediate and low levels of collectivity—even families—will surely notice the prosperity of Zhejiang. They will naturally want to learn from the province's methods and accomplishments."

In part echoing White's analyses, Stanley Crossick answers the question: Can the Zhejiang model be applied to all the provinces? "Over the short-term, no. China's regions differ vastly and no 'one size fits all' policy is possible. The model can, at best, be extended gradually northwards and westwards." And he offers a bit of cautionary criticism for Zhejiang and all of China's government and business leaders. "Government and industry need to better recognize that they must keep western markets open for their



Wuma Walking Street, Wenzhou, Zhejiang Province. by Lowell Bennett

goods. There needs to be greater international reciprocity."

Mr. Crossick advises, "Among other measures that should be implemented: It is in the region's best interest that there be a clampdown on counterfeiting; and as they (entrepreneurs) innovate more, they need stronger intellectual property protection.

Yongnian Zheng, a native of Zhejiang, now a professor and the Head of Research for the China Policy Institute at the University of Nottingham in the UK, explicates on what he sees as the four primary drivers in the Zhejiang rise. "First, there is sustainability; compared to other provinces, Zhejiang's development has gained a stronger momentum due to its focus on indigenous development. Second, societal harmony; indigenous development tends to create a sense of local community between employers and employees. Third, technological innovation; without strong financial support from the state, the private sector must rely on technological innovation for competitiveness and further development. And fourth, governmental innovation; in Zhejiang, governments at all levels are under a process of innovation.

The government has to reform itself, not only to accommodate a growing non-state sector, but also to continue to lead that development. With rapid economic development, various forms of social progress are

taking place in Zhejiang, such as local democratic elections, and improvement in welfare systems."

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Concluding Commentary

And yet, for all its economic power and social vitality, Zhejiang represents only one small corner of this nation; just a notation on the global map.

It would seem to be enough; contending with industry, politics, the environment and social welfare within China's vast borders. Yet beyond Zhejiang, beyond all 34 provinces, autonomous regions and municipalities, now the nation's leaders of government and business must assume even greater responsibility.

Despite the remarkable progress already achieved, despite the formidable challenges now faced, despite contending with the nearly inconceivable task of fulfilling a social pact owed to 1.3 billion citizens, in rapidly rising to play a greater leading role on an even greater stage, China now faces greater challenges.

Now the nation must navigate a path to advancing the greater good of a global society. ■