

# “Made in Dongguan”

An Interview with The Honorable Li Yuquan, Mayor of Dongguan City

**EDITORS' NOTE** *Li Yuquan was born in Dongguan, China. Since taking office in April 2006, he has been a pragmatic leader who has stood by his citizens in the midst of the global financial crisis, and his efforts have boosted the transformational development of Dongguan's economy and society.*



The Hon. Li Yuquan

**CITY BRIEF** *With a population of 6.95 million, Dongguan is a coastal city in mid-southern Guangdong, China. It has been included as one of 18 tier cities since China's reform and opening-up. Dongguan has attracted investment totaling \$50 billion from over 30 countries and regions in the world, and its GDP had seen an average annual growth rate of 18 percent in the past three decades. Dongguan has become a well-known city of modern manufacturing, and is also an internationally livable community. It is well-served with modern infrastructure, and boasts beautiful landscape and green townscape.*

## What role does Dongguan play in the Chinese manufacturing industry? What features does it offer?

Dongguan is a manufacturing city that started with the development of export-oriented industries. It is one of the 18 most successful areas to implement China's reform and opening-up policy. Since then, there has been a yearly increase of 18 percent in GDP for 30 years. With less than 3/10000 of China's land area, it has created over one percent of GDP. In 2008, the GDP of Dongguan reached RMB 370.2 billion, with the total industrial output value exceeding RMB 722.2 billion. It has 27,000 industrial enterprises. Therefore, “Made in Dongguan” is simply the epitome of “Made in China.”

The manufacturing industry in Dongguan boasts several features. First, overseas investment constitutes a large proportion of Dongguan's economy, accounting for 42 percent of the economic aggregate. The accumulated utilized foreign capital has reached \$50 billion. Most of the 14,700 foreign-funded enterprises are manufacturing companies. Second, it has an edge in electronics and the information industry, with over 3,000 electronics and information manufacturing enterprises. More than 10 kinds of IT products manufactured here account for 10 percent to 30 percent of the international market. Third, a

cluster of electronics, clothing, furniture, woollens, hardware, and moulds industries has been formed here. Fourth, the supporting industries are quite mature. Most enterprises could find assorted enterprises or products in the industrial chain of Dongguan.

## How many enterprises in Dongguan depend on export? What impact has the global financial crisis had on Dongguan?

The economy of Dongguan has gone international, and export plays a key role in its economic development.

In 2008, the total export-import volume reached \$113.3 billion, among which the export volume exceeded \$65.5 billion, accounting for 4.6 percent of the total volume in China, making it the fourth biggest exporting city. Since the outbreak of the financial crisis, the overseas market has greatly shrunk and the transnational enterprises have reduced their investment, which has exerted a huge influence on Dongguan. Problems such as difficulties in attracting investment and in exporting, along with decreases in production orders and operating profits have arisen.

In facing the crisis, the People's Government of Dongguan has insisted on riding out the difficulties together with the enterprises and has taken a series of measures to help them. For instance, the Finance Bureau of Dongguan has set up a special fund of RMB 5 billion to provide aid to enterprises in aspects of financing, discount, technical reform, and in expanding sales in the domestic market with the aim of alleviating the burden on them. The joint efforts by the government and the enterprises have helped relieve the crisis and realize steady economic growth. Within the first three quarters of 2009, the GDP of Dongguan outstripped RMB 272.02 billion, a yearly increase of 3.1 percent.

## Many argue that China's manufacturing has developed at a cost to the environment. How does Dongguan strike a balance between development and the environment?

An urge in the past to speed up development, unaware of the significance of environmental protection, has caused certain pollution in Dongguan, which is common in many other cities.

In recent years, as the awareness of environmental protection grows among societies, we are paying more attention to the construction of livable communities. First, more efforts have been made in the treatment of the existing pollution, with 37 sewage treatment plants under construction along with

a corresponding sewage-damming piping network. An array of refuse processing plants and a comprehensive improvement of inland rivers is also under way. Total input will reach RMB 30 billion. Second, under the guidance of local policies and the market, we are set to gradually shut down some polluting enterprises with high-energy consumption. Third, industry access will be restricted – 2018 pollution-prone companies have been denied access within the past three years. Fourth, enterprises are encouraged to develop their circular economies and clean manufacturing. In 2008, Dongguan's energy consumption for every RMB 10 thousand worth of GDP decreased by 14.56 percent compared with 2005, and sulfur dioxide emissions were reduced by 45.35 percent as well as chemical oxygen demand by 13.04 percent. In addition, 45 percent of total land area in Dongguan has been designated as an ecology protection area. Today, Dongguan is blessed with a beautiful urban environment, and has been crowned with many awards, such as first place in the LivCom Awards, National Model Green City, National Garden City, and National Model Tourism City.

## The manufacturing industry in China is known for low costs, but the industry is currently facing anti-dumping protests. How can China maintain a virtuous cycle within the global economic system?

The cost of labor and land resources in China is relatively low, so the products are competitive. China doesn't gain the market by cutting down the price or increasing subsidies. At present, some countries are fully advocating free trade, but they implement trade protectionism by the way of anti-dumping sanctions. They might impose some unreasonable anti-dumping policies on China, which is harmful to the healthy development of our manufacturing industry.

From the point of Dongguan's economy, the way for China to maintain a virtuous cycle within the global economic system is to actively adopt the WTO rules to deal with anti-dumping. In addition, we should speed up the industrial upgrades and restructuring, change our overdependence on exports, and expand domestic demand. Meanwhile, the structure of export goods and the export market should be optimized, and independent innovation should be promoted and strengthened, which will add value to our products. By doing so, we can win marketshare through quality rather than low price. We should also intensify our efforts to explore the emerging markets in Asia, Africa, and Latin America to diversify our markets. ●