

## China's Best Kept Secrets: Mianyang And Other Tier 3 Cities

### China

Provinces: Sichuan



Cities in China are typically classified according to location, population, and general economic statistics. Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin and Chongqing are generally classified as Tier 1 cities, while provincial capitals are generally classified as Tier 2. Important cities, like Mianyang, are classified as Tier 3, and many analysts carry the classifications further and use Tier 4 to denote cities that are large and important by any standard, but are even less well known. China currently has well over 100 cities with populations of one million or more.

Known as the “Western Silicon Valley of China,” Mianyang has a total population of 5.2 million people and is in the heart of the newly established Chengdu-Chongqing Economic Zone (the “Cheng-Yu Economic Zone”), which will benefit greatly from China’s “Go-West” policy. Mianyang has gained its reputation as a technology center due to its importance as a base for national defense, scientific research and production. Over 18 research institutes are located in Mianyang, including the China Academy of Engineering Physics and the China Aerodynamics Research Institute. It is also home to many Chinese and foreign-invested companies in industries as diverse as electronics, defense, pharmaceutical and advanced materials.

In May 2011, China’s Central Government created the Cheng-Yu economic Zone and stated its intention to develop the zone as China’s “fourth economic pillar.” The three existing pillars are the Bohai Economic Rim, which consists of the cities of Beijing and Tianjin and Shandong, Hebei and Liaoning provinces; the Yangtze River Delta Economic Zone, which includes Shanghai and Jiangsu and Zhejiang provinces; and the Pearl River Delta Economic Zone, which covers Guangdong Province. As the first major regional development plan under the 12th Five-Year Plan to receive State Council approval, the Cheng-Yu Economic Zone has effectively been chosen to

lead the development of China's interior.

Already, 160 Fortune 500 companies have established operations in Sichuan Province. Hewlett-Packard has built a manufacturing base in Chongqing to assemble 40 million laptops annually, with planned production capacity likely to reach 80 million units. Similarly, Intel moved its manufacturing and testing plants from Shanghai to Chengdu in 2009. Most recently, Siemens AG announced that it will set up an automation manufacturing and R&D base in Chengdu, which will serve as Siemens' largest digital factory in China and its third global R&D center for its industrial automation business.

Under China's "Go West" policy, cities like Mianyang will benefit from the government's investment in transportation and other infrastructure projects, as well as from favorable government policies that will encourage direct investment. As a result of increased investment and a continuation of the urbanization trend, these cities will benefit from significant population growth and the need for new residential and commercial facilities. Mianyang is the only city in Sichuan Province, besides Chengdu, to receive State Council approval to develop as a million-plus population city. Mianyang's center city population has grown from 600,000 three years ago to over 1 million today, and is expected to increase to 1.5 million by 2020.

Mianyang is already well connected by both highway and rail, with more transportation networks currently under construction. A first-grid highway connecting Mianyang and Chongqing is nearing completion, and Mianyang Airport has direct flights to Beijing, Shanghai, Guangzhou, Shenzhen, and other major cities within China. In addition, a new high-speed urban rail connecting Chengdu and Xi'an - and passing through Mianyang - is set to be completed by the end of 2012. The current trip between Chengdu and Mianyang takes approximately 2.5 hours, but the new urban rail will reduce travel time to just 15 to 20 minutes.

While the vast majority of China's economic development to date has occurred in Tier 1 cities and along the country's coastal regions, many manufacturers - driven by increasing land, labor, and operating costs - are beginning to relocate their facilities to cities in the interior, like Mianyang, where costs are substantially lower. With more people moving off the farms and growing affluence, consumer goods companies are also finding millions of new potential customers in China's Tier 3 cities. As these trends continue to play out in the years ahead, names like Mianyang will soon become household words, just like Chicago, Minneapolis and Atlanta are today.