

## **Tianjin's Role in Northeast Asian Economic Development: Keynote Speech**

Zhang Lichang

The Northeast Asia Economic Forum has made substantial contributions to the region's cooperation and development. This meeting will play an important role in further strengthening the region's communications, promoting consensus, expanding cooperation and exchange, and enhancing prosperity and development.

Tianjin is one of Northeast Asia's economic centers. It is not only concerned with the conditions of the region, but also has high hopes for development. I have the honor of having been invited by the Chairman to discuss the development of Northeast Asia and the strengthening of economic cooperation between Tianjin and the Northeast Asian region.

### **NORTHEAST ASIA SHOULD BE A FULL PARTICIPANT IN WORLD ECONOMIC DEVELOPMENT**

Northeast Asia is an important economic region that has attracted a lot of attention. In the past 50 years, the economy of the region has grown at a higher rate than the average growth level of the world. The region is exerting an ever-greater impact on the global economy.

Northeast Asia has a variety of economic advantages and conditions: (1) its geographical location; (2) an abundance of natural resources, manpower, and technology; (3) a high level of economic "opening up"; and (4) complementary advantages that are strong in factors of production and industrial structure. The region possesses great potential for development. We can predict that the economy of Northeast Asia will continue to grow at a faster pace in the twenty-first century.

Northeast Asia is richly endowed with natural resources. For example, the combined land area of Japan, the ROK, the DPRK, Mongolia, and North and Northeast China totals 11 million square kilometers, which is almost double the size of Europe. In terms of energy, Northeast Asia has many resources, such as oil, natural gas, and coal deposits in large quantities, as well as an abundance of metal and non-metal ores. Water resources are plentiful, and forest resources are abundant. Many of the resources have not yet been exploited, making them rare assets by world standards.

There are over 300 million people in the region, including qualified scientific and managerial personnel. Workers are skilled, and labor costs are low. The labor

force can meet the demand for large numbers of well-trained laborers and highly qualified personnel required for economic development.

Northeast Asia is a region whose technology is advanced, creativity in science and technology is strong, and high-tech and new technologies in some respects are leading the world. The capabilities in some areas of basic research are strong, including a mastery of some highly sophisticated technologies. All these rich resources represent a comprehensive advantage.

Globalization and regionalization are the mega-trends in the economic development of today's world. All the nations and regions are adapting themselves to these trends and are taking an active part in economic cooperation for regionalization and globalization. The European Union, the Asia-Pacific Economic Cooperation (APEC) forum, and the North American Free Trade Agreement (NAFTA) have been rapidly developing. This has activated economic and trade links within these areas and promoted the development of each nation as well as the whole region.

Cooperation in trade and investment between all countries in Northeast Asia has been increasing. But in comparison with some other regions, the pace has not been fast enough, and the level still has to be raised. There are many advantages and potentials that have not been brought into play. The economic development trend of the world necessitates a quickening of the pace of economic cooperation in Northeast Asia, in which all the nations of the region will benefit. We must further strengthen the development of economic cooperation and bring the advantages and potentials of the Northeast Asian countries and areas into greater play. Then the region in the twenty-first century will develop faster and better, and it will assume a more important role and have a more significant impact on the world economy.

#### **NORTHEAST ASIAN ECONOMIC COOPERATION IN NEED OF COMPLEMENTARY ADVANTAGES, MUTUAL BENEFITS, AND JOINT DEVELOPMENT**

Facing the changes of the world economy, Northeast Asian countries must further enhance their desires and needs for economic cooperation. In order to better promote economic cooperation in the countries and areas in the region, I think it is important to have a correct recognition and balance in dealing with a host of issues and problems.

First, we should rely on exploiting the advantage of the region as a whole to quicken the development of all the countries and areas. Each country and area in Northeast Asia has interests specific to itself and seeks all possible means for development. But under conditions in which the world is in the process of economic globalization and regionalization, the isolated development of one

country or area would be very weak. Even in the case of some relatively more-advanced countries, their strength would be limited, and they are in no position to compete with regions in which countries have joined together in their efforts. The only way to stand up against joint forces is to become united and organize an entity for superior advantage. Only then can each country and area become stronger and gain access to greater benefits.

All the nations and areas in Northeast Asia should have a correct understanding of the relationship between the overall interests of the region as a whole and the interests of the individual nation. They should handle this relationship well, and should actively contribute more for the whole region's development and prosperity. In this way, they can provide the region with more comprehensive strengths and competitive capabilities. Then the region would be better positioned in world economic competition, which in turn would create a better environment for the development of each country and area in the region.

Second, attention should be paid to immediate interests, but more attention should be directed to long-term interests. Economic cooperation is for the pursuit of benefits. But whether it is for a developed country or a developing nation, all should have a strategy for the future and should handle the relationship correctly between long-term interests and immediate benefits. Special attention should be paid to the fact that immediate interests should not be obtained at the cost of long-term interests, and the achievement of the long-term interests may, on some occasions, be obtained only by sacrificing some immediate benefits. In some cases sacrificing the interests of the near future is a means of ensuring greater achievements for the longer term to come.

In its cooperation with other countries, Tianjin stands on the side of the long-term view. We must draw up our accounts over a longer period of time, so we score successes in cooperation with many enterprises from other countries. A few years ago, to make better use of foreign investment for reforming our old enterprises, Tianjin made sacrifices in intangible assets for some enterprises and their shares in the market, so that foreign investments could have larger benefits and real earnings. From a short-term perspective, we lost some immediate benefits. But more foreign investment was introduced because of the better terms we provided. Since 1994, Tianjin has made use of foreign investments amounting to US\$4.5 billion for restructuring outdated industrial enterprises, which have now been revitalized. In the final account, Tianjin has earned greater benefits.

Third, attention must be paid not only to competition but also especially to complementary benefits. Economic development of the countries and areas in Northeast Asia gives rise to competition in numerous ways. In the meantime, there are conditions of great complementarity. An enterprise in an area or a country of Northeast Asia should not merely focus on competition, while complementary advantages are ignored. It should not be totally entangled in

competition while leaving complementary advantages untouched. An important topic confronting countries and areas in Northeast Asia is how to make the best use of complementary advantages in resources, technologies, and markets. In this way, they can avoid their weaknesses, while bringing their advantages into full play, and thus develop mutually.

I call on all the countries to provide more room for better conditions, so that we can play a better role. We must make use of superior advantages to make up for our weaknesses. In this way, resources, in Northeast Asia will be better used, and potential capabilities will be brought more fully into play. Consequently, development in Northeast Asia will speed up, once all of Northeast Asia achieves overall development, and each nation and area will be better developed.

To make use of complementary advantages to a greater extent and at a higher level, one has to insist on opening up the economy. If any country or area closes itself off, development becomes impossible, and the inevitable result from this policy is that it leads to stagnation. One of the important reasons why Tianjin has developed quickly in recent years is that we have a strong sense of “opening up.” We have taken large steps to go forward and have created an all-out situation for “opening up.” To do a good job for “opening up,” attention must be focused on the trends, dynamics, and information about developments in the world economy. Policies are formulated with reference to a clear-cut target, and practical measures are taken for the realization of the target.

Fourth, we make money by letting others make money. Both parties in economic cooperation aim at making money. But if one party is making money only for itself, without the slightest concern about whether the other party is losing money, such a situation could not last for long. In implementing the “opening up” policy, Tianjin has made it clear that while we make money, we must in the meantime let others make money. In assisting the other parties’ development, we enhance our development. In rendering services to others, we get our share of the returns. We have made efforts to help investors make money.

On the basis of these considerations, Tianjin has formulated a series of preferential policies and has adopted measures to continually improve the environment for investment. The majority of foreign investors have thus registered better economic returns. Motorola of the United States came to Tianjin in 1995 for investment. By 1998, in only four years, the company had accumulated profits totaling about US\$1.2 billion. A Japanese pharmaceuticals company invested RMB 30 million in a joint venture with a Chinese party. It began operation in 1984, and by 1990, it had recovered all of its investment. During this year, it earned RMB 14 million. The Japanese have proposed to invest another RMB 30 million. LG of South Korea has a joint venture in Tianjin. Since its operations began in 1996, additional investments have been made year by year, and production has doubled. It is expected that this year’s

profit will be twice as great as last year's. LG's production of air conditioners ranks seventh in China, and its production of microwave ovens ranks second. Recently, because of good returns on investment, more and more business people from abroad have been coming to invest in Tianjin. At the end of 1998, China had 12,000 enterprises in three different categories involved with foreign capital. Among the 500 largest international companies, 62 have established business operations in Tianjin.

### **BROAD PROSPECTS FOR ECONOMIC COMPETITION BETWEEN COUNTRIES AND AREAS IN NORTHEAST ASIA**

Tianjin is the largest city along the coastline of North China. It is also an important economic center in Northeast Asia. During recent years, Tianjin has sustained continuous and healthy development at a quickened pace. Its overall strength has increasingly been enhanced. Tianjin has had one of the nation's highest economic development rates. From 1992 to 1998, Tianjin's GDP increased by 110%, representing an average growth rate of 12.9% per year. Financial revenue almost doubled, resulting in an average rate of growth of 18.9% a year. At the end of August this year, the cumulative contracted investment was US\$25.46 billion, and actual investment reached US\$12.25 billion.

In the process of opening up its economy, Tianjin has always placed importance on economic cooperation with other countries and areas in Northeast Asia. The total volume of Tianjin's import and export trade with Northeast Asia in 1998 was US\$3.93 billion, which accounted for 37% of Tianjin's total foreign trade. Tianjin has 2,200 businesses with investment from Northeast Asian countries, representing about 18.5% of all foreign businesses in the city. The total investment from Northeast Asian countries was US\$2.42 billion, or 11% of the city's aggregate foreign capital.

From the perspective of development, there is great potential for Tianjin in economic cooperation with Northeast Asian countries. The scope for cooperation is extensive, and projects are plentiful. Tianjin must make more efforts in many ways to promote economic cooperation with Northeast Asian countries and areas.

First, we must strengthen economic cooperation with Northeast Asian countries and areas as a major component of our strategic target for the twenty-first century. In December 1997, the State Council announced the position of Tianjin City, saying: "Tianjin is the economic center of the Bohai Sea rim. Efforts must be made to build it into a port city as well as an important economic center in North China." This target will be fulfilled in the early part of the next century. By then, Tianjin will be in the forefront among the areas for earlier realization of modernization. To accomplish this, it would be impossible to

achieve development by closing Tianjin's doors. On the contrary, we must open up wider, and especially we must expand the connections and cooperation between Tianjin and Northeast Asian countries and areas.

The level of Tianjin's internationalization must be raised. Economic development in Tianjin in the twenty-first century would bring about great demand in markets, capital, and technologies. This would provide many new opportunities for economic cooperation between Tianjin and Northeast Asian countries and areas. New cooperation can be developed in sectors such as transportation, telecommunications, finance, insurance, port construction, foreign trade, environmental protection, high-tech applications, new technologies, the building up of urban infrastructure, and upgrading and optimization of industries. We welcome the countries of Northeast Asia to come to Tianjin for investment and development.

Second, Tianjin must be brought into full play as a pivotal city in Northeast Asia. Tianjin is the starting point in the east for the three land bridges connecting Asia with Europe. It is positioned at the pivotal point between two radiating sectors, both internally and externally, in North China. It is the window through which North China meets Northeast Asia and continues to the world beyond, and vice versa. Tianjin radiates internally to North, Northeast, and Northwest China, while its coverage includes all countries. It plays an important function as a pivot and a junction. We will observe the principles of giving full play to our advantages, while minimizing our disadvantages and complementing superior conditions, mutual benefits, and joint development to speed up cooperative relations among the Northeast Asian countries and areas. Thus Tianjin would become an important city for collection and distribution, where commerce, materials, capital, information, and a qualified work force all flow in and out of the city.

Tianjin is a port city, the mainstays of which are the harbor, the economic and technological development zone, and the tariff protection zone. They encompass 350 square kilometers in the new area along the coast. The investment environment is good, and investment and factory construction are convenient. For example, raw materials can be brought to Tianjin by marine transport, and products can be moved out by ship. The new area along the coast of Tianjin has become one of the hot spots for investment in China. I invite more business people from abroad to inspect Tianjin and invest here.

Third, Tianjin's industrial structure must be adjusted to meet the requirements of the economic setup in Northeast Asia. In the process of internationalization and regionalization, Tianjin's economy will participate more actively in a rational division of labor in Northeast Asia's regional economy. We will do whatever is possible for the full play of our advantages, to expand whatever is worthy of expansion, and to make a concentrated effort for

refinement, not for wholeness. This pursuit of adjusting the industrial structure and development would create many new spaces and demands. Tianjin has a lot of old enterprises. Although they still possess many advantages, their workshop buildings, equipment, and technical skills are outdated. Adjustment and transformation are needed. We invite businesses and enterprises of Northeast Asian countries to participate in the transformation of Tianjin's antiquated businesses by forming joint ventures, by transferring stocks, or by making purchases. Foreign businesses can make use of these factories for development. This is one way of making less investment to gain faster returns. And more economic benefit will result.

Tianjin is well developed for providing industries with a comprehensive range of the necessary manufacturing equipment, and services of this kind can be provided to foreign enterprises. A German company that manufactures mufflers was in urgent need of electrical machinery necessary to produce its line of products. Many factories outside Tianjin could not meet the required standards, but Tianjin Da Ming Electrical Machinery Company successfully turned out 17 types of electrical machinery. Our industries are making efforts to raise the level of Tianjin's capabilities further, so that entire ranges of machinery can be provided to meet the requirements of foreign investors.

Fourth, a more favorable environment must be created for investment. Since opening up and reformation, Tianjin has initially created a socio-economic environment favorable for cooperation between China and other countries. In order to further strengthen economic cooperation with Northeast Asia and other areas of the world, the Tianjin government at every level should enhance its sense of service, minimize procedures for inspections and approvals, and simplify the process. Efficiency should be raised, and investors should be provided with convenience, and the process should be expedited.

Tianjin has just successfully completed the Thirty-Fourth World Gymnastics Competition. President Jiang Zemin attended the opening ceremony, and Premier Zhu Rongji was present at the closing ceremony. They also inspected Tianjin and provided guidance. They appraised Tianjin's reforms highly, its "opening up" as well as its socio-economic development. Reflecting on the past, we are very excited, and I believe our honored guests here share our delight, because among our achievements, the fruits of our efforts in "opening up" are included. The twentieth century is quickly reaching its end, and the new century is approaching. Let us join our efforts, strengthen our cooperation, and push Northeast Asia forward toward more prosperous and better development in the twenty-first century.