LI & FUNG RESEARCH CENTRE

– Industrial Cluster Series

June 2010 Issue 6

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Update on Industrial Clusters in China (2010)

Executive Summary

Latest developments

- Establishing brands for cities or regions
- Increasing degree of specialization and division of labour among enterprises
- Attaching greater importance to sustainable development
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- Industrial upgrade and relocation are taking place
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- Key enterprises in China's industrial clusters are less competitive than their global counterparts
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- Lack of innovation capability
- High total production costs
- Lack of coordination and cooperation among different jurisdictions

The top 100 industrial clusters in China

The Chinese Academy of Social Sciences released the list of top 100 industrial clusters in China in December 2009. We observe the following from the top 100 list:

- Uneven geographical distribution of industrial clusters across China: Industrial clusters are concentrated in the coastal provinces, but those in the inland are emerging
- Coastal industrial clusters accommodate a wide variety of products while the central and western areas are specialized in products processed from resources in the regions
- The biggest industrial clusters in China are mostly engaging in manufacturing
- More high value-added industrial clusters are gaining competence
- New, competitive industrial clusters are constantly emerging

Chinese government's initiatives to foster the development of industrial clusters

- The central government recognizes the contribution of industrial clusters to the social and economic development and seeks to further the development of industrial clusters.
- Local governments in China have also realized the significant role of industrial clusters on local economic growth. They have launched various plans, guidelines or measures to expedite the development of industrial clusters in their jurisdictions.

I. Introduction

China's manufacturing landscape is characterized by a large number of industrial clusters – the geographic concentrations of interconnected enterprises in a particular industry that gain competitive advantages through co-location. The presence of the industrial clusters enhances the competitiveness of a region's economy and forms an integral part of China's international competence in manufacturing. *The Industrial cluster series* we published in May 2006 (http://www.lifunggroup.com/research/china_industrialcluster01.htm) discussed the evolution and development of industrial clusters in China. In this issue, we will first provide an update on the latest developments and challenges of industrial clusters in China. A simple analysis of the latest list of the top 100 industrial clusters in China will follow. A brief account of the policy directions of the central and local governments towards the development of industrial clusters will also be given.

II. Latest developments

1. Establishing brands for cities or regions

The success of a country or a city can be assessed by its image or brand: Italy is a place of fashion; Bangalore is famous for its IT clusters. In China, many industrial clusters want to follow the successful model of Yiwu small commodities wholesale market, where UN places its sourcing centre. To build the brands for the industrial clusters located in their cities, local governments are actively facilitating manufacturing enterprises within their jurisdictions to innovate, upgrade product quality, and improve production efficiency and pollution management. For instance, government of Changshu city of Jiangsu province, in which an apparel cluster is located, has been improving transport and IT infrastructure, and providing platforms for facilitating the development of high value-added apparel. The apparel cluster in this city had received a number of awards from the China National Textile and Apparel Council and other government departments.

2. Increasing degree of specialization and division of labour among enterprises

Over the past decades, industrial clusters in China experienced enhanced efficiency and productivity brought about by the higher degree of specialization and division of labour. Nowadays, many industrial clusters in China are rather well-developed and specialized in the products and services they offered. For example, there are more than 3,000 enterprises in the socks industrial cluster in Zhuji, a county-level city in Zhejiang province. Most of them are small- and medium-sized enterprises specializing in different segments of the socks production chain and related supporting services.

3. Attaching greater importance to sustainable development

After years of tremendous growth, most industrial clusters in China are now facing bottlenecks, as their previous successes were often achieved at the expense of over-exploitation of natural resources and the environment. Severe pollution, high energy consumption and low efficiency are some of the major problems identified in most industrial clusters. Acknowledging the importance of sustainable development, the central government and most local governments are developing comprehensive supporting systems, offering support in areas such as pollution management, intellectual property rights protection, logistics and finance, to promote sustainable development of industrial clusters. For instance, Guangdong province sets up designated funds to encourage enterprises to invest more in environmental protection.

4. The development of producer services is crucial to the further development of industrial clusters

Producer services are regarded as intermediate inputs to further production activities of other firms. They range from financial services, real estate services, to business and professional services such as R&D, design, communications, logistics and marketing. The introduction and development of producer services is highly encouraged in China as the country tries to move up the value chain. Enterprises are encouraged to invest more in R&D and design to generate innovation, improve logistics efficiency so as to lower production costs, and step up marketing efforts to boost sales and revenues.

5. Industrial upgrade and relocation are taking place

The financial tsunami has made lives difficult for the enterprises located in the traditional export-oriented hubs along the coastal areas such as the Yangtze River Delta (YRD), Pearl River Delta (PRD) and Bohai-rim regions. A large number of manufacturers have ceased operation. For those who have managed to stay, the growingly stringent government policies on product quality and environmental standards and shortage of skilled migrant workers force them to upgrade their production by means of technological advancement, upgrading the equipments and facilities, etc.

Meanwhile, competitive clusters are emerging in other parts of China, especially in the less developed coastal cities and the central and western regions, as domestic demand and economic growth pick up in these regions. These regions generally have lower production costs and many of them are domestic market-oriented.

The consolidation and upgrade in the traditional production hubs and the emergence of new manufacturing clusters in the less developed coastal cities and inland regions have combined to push forward the relocation of industrial clusters within China. For instance, as the first step, some companies would choose to relocate the labour- or resource-intensive processes from the coastal areas to inland provinces. Once the infrastructure and supporting facilities in the inland have improved, they would consider relocating the more complicated processes. This approach allows a transitional period for adaptation to the new production sites, and helps lower operational risks and ease financial burden.

6. Emergence of industrial clusters of higher value-added products

Most of the well-known industrial clusters in China are engaging in low value-added processing of light manufactured goods such as apparel and toys. This is largely due to the fact that, with China's cheap land and abundant labour, these labour intensive industries were the easiest to build at the beginning of the economic reform in late 1970s.

After three decades of development, the Chinese government now sees industrial upgrade as a strategic step to advance the economic structure. On the other hand, the manufacturers need to upgrade or even reinvent themselves in order to stay in the competition. In order to move up the value chain, clusters producing higher value-added products or services emerge. The photovoltaic industrial cluster in Wuxi of Jiangsu province and the electronic products industrial cluster in Shenzhen are cases in point.

7. The development of industry associations enhances competitiveness of industrial clusters

Enterprises in industrial clusters see the need for agencies, often in form of industry associations, to take a stronger role to integrate and coordinate the resources of the industry. In fact, industry associations can have multifold functions: setting rules and standards for the industry, building a common service platform, providing training, developing patent rights protection system, facilitating exchange and learning through such means as organizing exhibitions and seminars, and communicating industry's views and needs to the government.

For example, in Zhejiang province, in which a lighter cluster is located, the Wenzhou Smoking Accessories Association is given power to handle registration and disciplinary regulation of patents for new products for the industry. The association is thus capable of facilitating innovation of the cluster by means of carrying out patent protection policies.

III. Major challenges

1. Chinese enterprises face fierce competition in the course of moving up the value chain

Currently, Chinese manufacturers are still mainly engaging in export processing, especially in the form of original equipment manufacturing (OEM), which are generally low value-added activities. The higher value-added activities of the production chain such as design and marketing, however, are mostly conducted in the developed economies. Take the electronics industry as an example, the US, Japan and some European countries perform higher value-added functions such as setting product standards and conducting R&D, while the labour intensive processes and the lowest value-added functions such as production of non-key components and assembly, are mainly done in the Chinese mainland.

Higher cost of land, labour and raw materials in China now leads to eroding cost advantage, which makes China a less favorable place for low-cost manufacturing. In fact, it has become crucial for the Chinese manufacturers to upgrade their capabilities instead of continuing to compete on low cost. Nonetheless, they face substantial challenges when trying to move up the value chain. On one hand, developed countries control the core technology and possess superior R&D capabilities. On the other hand, some developing countries are emerging as low-cost suppliers and competing hard against China on a cost basis. For example, the average labour cost of apparel industry in coastal China was about 1 USD/hour in 2007, which was much higher than that in Bangladesh, Vietnam and Cambodia, which were approximately 0.22 USD/hour, 0.29 USD/hour and 0.36 USD/hour respectively in the same year[1].

2. Key enterprises in China's industrial clusters are less competitive than their global counterparts

In terms of sales revenues, the key enterprises in China's industrial clusters are markedly smaller in scale than their global counterparts. For example, China's largest apparel enterprise, Youngor Limited, recorded a revenue of approximately USD 1.6 billion in 2008, which is only one-sixteenth of the revenue of the French apparel company Christian Dior in the same year. For another example, First Automobile Works, the largest automobile enterprise in China, merely earned one-fifth of what General Motor did in year 2008. Similar cases can also be found in other manufacturing industries such as electronics, papermaking, auto parts, etc.

1 China Development Press, *Annual Report on China's Industrial Cluster Development (2007-2008)*, 2008

3. Development of industrial clusters has led to enormous pressure on natural resources and environment

Development of industrial clusters in China often involves heavy consumption of labour and natural resources. It is estimated that Zhejiang province and Suzhou will use up their land resources in 10 years (except the farmlands) if they exploit the land at the current speed. Shenzhen is also threatened by land shortage: It has exploited almost all of the land in the past thirty years. By contrast, Hong Kong, just across the Shenzhen River, has only exploited 30% of the usable land after a century's development.

Environmental degradation is now a severe problem in China. It is cited in the United Nations's *Human Development Report*[2] that more than 300 million people in China lack access to clean drinking water due to water pollution. Additionally, the *United Nations Environment Programme*[3] predicts that China will produce 500 million tonnes of solid waste a year in future, which is nearly a quarter of the world's total.

4. Lack of innovation capability

Weak innovation capability is also one of the major barriers impeding the upgrading of industrial clusters in China. According to the National Bureau of Statistics, the percentage of investment in R&D to sales revenue of Chinese industrial enterprises above designated size was only 0.6% in 2008[4], which was distinctly lower than that of advanced economies (average of 5%).

Enterprises in the traditional industries, in particular, tend to produce low value-added products, failing to add value to the product through innovation and brand building. For instance, Bosideng International Holdings Limited is the largest down apparel enterprise in China. However, it fails to develop an internationally renowned brand. It is still engaging in processing activities for famous foreign apparel brands.

5. High total production costs

The total production costs include not only the manufacturing costs, but also the cost of transportation, financing, compliance with government rules and regulations, etc. incurred by the factories during the production. In China, the total production costs still remain high, due to immature logistics, underdeveloped transport, and financial infrastructure, and weak manpower training, etc.

2 United Nations, *Human Development Report 2006*, 2006
3 United Nations Environment Programme, *UNEP Year Book 2009*, 16 February 2009
4 National Bureau of Statistics of China, *Communiqué on Major Data of the Second National Economic Census (No. 2)*, 25 December 2009

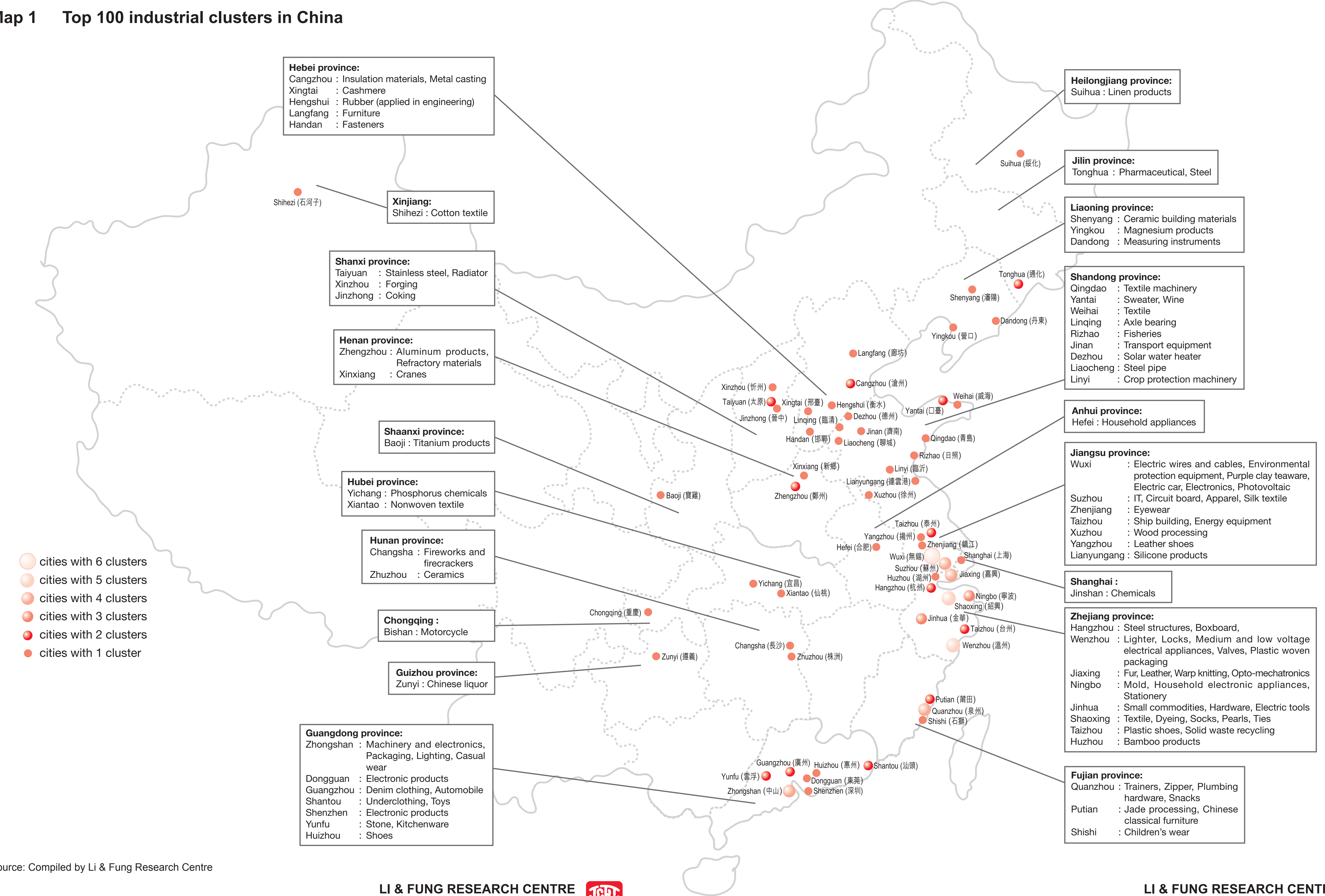
6. Lack of coordination and cooperation among different jurisdictions

Lack of coordination and cooperation among different jurisdictions is another factor hampering the growth of industrial clusters. Since most industrial clusters span across several jurisdictions, it is not easy for the local governments of the various jurisdictions to formulate integrated development plans in a coordinated manner for the clusters. On the other hand, competition among local governments usually results in duplicative efforts and waste of resources.

IV. The top 100 industrial clusters in China

The Chinese Academy of Social Sciences (CASS) released the list of top 100 industrial clusters in China in December 2009. This is the third annual exercise since 2007. The CASS aims to encourage relevant government departments to attach more importance to nurturing sustainable development of industrial clusters and assisting local industrial enterprises in building their brands. On top of the 60 evaluation criteria such as brand name, uniqueness and innovation of the cluster, the 2009 assessment has put more emphasis on the efforts made by the local governments to promote the brands for their regions. Some well-known winners include Yiwu small commodities industrial cluster, Shaoxing textile industrial cluster, Guzhen lighting industrial cluster and Changshu apparel industrial cluster. Map 1 and Table 1 show you more information on the winners.

Map 1 Top 100 industrial clusters in China



Source: Compiled by Li & Fung Research Centre

Table 1 Top 100 Industrial clusters in China, December 2009

Provinces/Municipalities/ Regions (number of clusters)	City/County	Industrial Clusters
Zhejiang province (25)	Xiaoshan, Hangzhou 杭州蕭山	Steel structures industrial cluster
	Fuyang, Hangzhou 杭州富陽	Boxboard industrial cluster
	Lucheng, Wenzhou 溫州鹿城	Lighter industrial cluster
	Ouhai, Wenzhou 溫州甌海	Locks industrial cluster
	Leqing, Wenzhou 溫州樂清	Medium and low voltage electrical appliances industrial cluster
	Longwan, Wenzhou 溫州龍灣	Valves industrial cluster
	Pingyang, Wenzhou 溫州平陽	Plastic woven packaging industrial cluster
	Chongfu, Tongxiang, Jiaxing 嘉興桐鄉崇福	Fur industrial cluster
	Haining, Jiaxing 嘉興海寧	Leather industrial cluster
		Warp knitting industrial cluster
	Pinghu, Jiaxing 嘉興平湖	Opto-mechatronics industrial cluster
	Yuyao, Ningbo 寧波餘姚	Mold industrial cluster
	Cixi, Ningbo 寧波慈溪	Household electronic appliances industrial cluster
	Ninghai, Ningbo 寧波寧海	Stationery industrial cluster
	Yiwu, Jinhua 金華義烏	Small commodities industrial cluster
	Yongkang, Jinhua 金華永康	Hardware industrial cluster
		Electric tools industrial cluster
	Shaoxing 紹興	Textile industrial cluster
		Dyeing industrial cluster
	Zhuji, Shaoxing 紹興諸暨	Socks industrial cluster
		Pearls industrial cluster
	Shengzhou, Shaoxing 紹興嵊州	Ties industrial cluster
	Wenling, Taizhou 台州溫嶺	Plastic shoes industrial cluster
	Luqiao, Taizhou 台州路橋	Solid waste recycling industrial cluster
	Anji, Huzhou 湖州安吉	Bamboo products industrial cluster
Jiangsu province (16)	Yixing, Wuxi 無錫宜興	Electric wires and cables industrial cluster
		Environmental protection equipment industrial cluster
		Purple clay teaware industrial cluster
	Xishan, Wuxi 無錫錫山	Electric car industrial cluster
	New district of Wuxi 無錫新區	Electronics industrial cluster
		Photovoltaic industrial cluster
	Kunshan, Suzhou 蘇州昆山	IT industrial cluster
		Circuit board industrial cluster
	Changshu, Suzhou 蘇州常熟	Apparel industrial cluster
	Shengze, Wujiang, Suzhou 蘇州吳江盛澤	Silk textile industrial cluster
	Danyang, Zhenjiang 鎮江丹陽	Eyewear industrial cluster
	Jingjiang, Taizhou 泰州靖江	Ship building industrial cluster
	Jiangyan, Taizhou 泰州薑堰	Energy equipment industrial cluster
	Pizhou, Xuzhou 徐州邳州	Wood processing industrial cluster
	Jiangdu, Yangzhou 揚州江都	Leather shoes industrial cluster
	Donghai, Lianyungang 連雲港東海	Silicone products industrial cluster
Guangdong province (13)	Zhongshan 中山	Machinery and electronics industrial cluster
		Packaging industrial cluster
	Guzhen, Zhongshan 中山古鎮	Lighting industrial cluster
	Shaxi, Zhongshan 中山沙溪	Casual wear industrial cluster
	Dongguan 東莞	Electronic products industrial cluster
	Xintang, Zengcheng, Guangzhou 廣州增城新塘	Denim clothing industrial cluster
	Huadu, Guangzhou 廣州花都	Automobile industrial cluster
	Shantou 汕頭	Underclothing industrial cluster

(number of clusters)	City/County	Industrial Clusters
	Chenghai, Shantou 汕頭澄海	Toys industrial cluster
	Shenzhen 深圳	Electronic products industrial cluster
	Yuncheng, Yunfu 雲浮雲城	Stone industrial cluster
	Xinxing, Yunfu 雲浮新興	Kitchenware industrial cluster
	Huidong, Huizhou 惠州惠東	Shoes industrial cluster
Shandong province (10)	Jiaonan, Qingdao 青島膠南	Textile machinery industrial cluster
	Haiyang, Yantai 煙臺海陽	Sweater industrial cluster
	Penglai, Yantai 煙臺蓬萊	Wine industrial cluster
	Wendeng, Weihai 威海文登	Textile industrial cluster
	Linqing 臨清	Axle bearing industrial cluster
	Rizhao 日照	Fisheries industrial cluster
	Zhangqiu, Jinan 濟南章丘	Transport equipment industrial cluster
	Dezhou 德州	Solar water heater industrial cluster
	Liaocheng 聊城	Steel pipe industrial cluster
	Linyi 臨沂	Crop protection machinery industrial cluster
Fujian province (7)	Jinjiang, Quanzhou 泉州晉江	Trainers industrial cluster
		Zipper industrial cluster
	Nan'an, Quanzhou 泉州南安	Plumbing hardware industrial cluster
	Hui'an, Quanzhou 泉州惠安	Snacks industrial cluster
	Putian 莆田	Jade processing industrial cluster
	Xianyou, Putian 莆田仙遊	Chinese classical furniture industrial cluster
	Fengli, Shishi 石獅鳳裏	Children's wear industrial cluster
Hebei province (6)	Hejian, Cangzhou 滄州河間	Insulation materials industrial cluster
	Botou, Cangzhou 滄州泊頭	Metal casting industrial cluster
	Qinghe, Xingtai 邢臺清河	Cashmere industrial cluster
	Taocheng, Hengshui 衡水桃城	Rubber (applied in engineering) industrial cluster
	Xianghe, Langfang 廊坊香河	Furniture industrial cluster
	Yongnian, Handan 邯鄲永年	Fasteners industrial cluster
Shanxi province (4)	Taiyuan 太原	Stainless steel industrial cluster
	Qingxu, Taiyuan 太原清徐	Radiator industrial cluster
	Dingxiang, Xinzhou 忻州定襄	Forging industrial cluster
	Taigu, Jinzhong 晉中太谷	Coking industrial cluster
Henan province (3)	Gongyi, Zhengzhou 鄭州鞏義	Aluminum products industrial cluster
		Refractory materials industrial cluster
	Changyuan, Xinxiang 新鄉長垣	Cranes industrial cluster
Liaoning province (3)	Faku, Shenyang 瀋陽法庫	Ceramic building materials industrial cluster
	Dashiqiao, Yingkou 營口大石橋	Magnesium products industrial cluster
	Dandong 丹東	Measuring instruments industrial cluster
Hubei province (2)	Yichang 宜昌	Phosphorus chemicals industrial cluster
	Xiantao 仙桃	Nonwoven textile industrial cluster
Hunan province (2)	Liuyang, Changsha 長沙瀏陽	Fireworks and firecrackers industrial cluster
	Liling, Zhuzhou 株洲醴陵	Ceramics industrial cluster
Jilin province (2)	Tonghua 通化	Pharmaceutical industrial cluster
		Steel industrial cluster
Shanghai (1)	Jinshan 金山	Chemicals industrial cluster
Chongqing (1)	Bishan 璧山	Motorcycle industrial cluster
Anhui province (1)	Hefei 合肥	Household appliances industrial cluster
Heilongjiang province (1)	Lanxi, Suihua 綏化蘭西	Linen products industrial cluster
Guizhou province (1)	Renhuai, Zunyi 遵義仁懷	Chinese liquor industrial cluster
Shaanxi province (1)	Baoji 寶雞	Titanium products industrial cluster
Xinjiang Uygur Autonomous Region (1)	Shihezi 石河子	Cotton textile industrial cluster

Source: Chinese Academy of Sciences

We observe the following from the top 100 list:

1. Uneven geographical distribution of industrial clusters across China: Industrial clusters are concentrated in the coastal provinces, but those in the inland are emerging

Among the top 100 industrial clusters, around 80% are located in the coastal provinces. 42 of them are situated in the YRD region and 9 in the PRD region. In fact, most of the industrial clusters are located in Zhejiang, Jiangsu, Guangdong and Shandong provinces – these 4 provinces account for 60% of the top 100 clusters in 2009.

Nonetheless, we can see that the industrial clusters are emerging in the inland provinces, when comparing the top 100 lists of the past three years. In years 2007 and 2008, only 5 or 6 industrial clusters from inland provinces entered the top 100 list. The number rose to 16 in 2009. Industry relocation is one of the explanations for the change. The robust development of the inland market in recent years has also contributed to the faster growth of inland clusters.

2. Coastal industrial clusters accommodate a wide variety of products while the central and western areas are specialized in products processed from resources in the regions

A wide range of products are available in the coastal industrial clusters, from low value-added industries such as agricultural products processing to high-tech industries such as IT, circuit board and electric car manufacturing. By contrast, industrial clusters in the inland regions depend more on resources available in their regions, such as metals and minerals.

3. The biggest industrial clusters in China are mostly engaging in manufacturing

Among the top 100 industrial clusters in 2009, all of them are engaging in manufacturing. Most of them produce low value-added goods such as textile, clothes, shoes, toys, furniture and stainless steel. While none of the clusters engaging in the services sector enters the 2009 list, the financial services cluster in Shanghai Pudong once entered the list in 2007.

Apparel and textile is the largest sector in the 2009 list, with 20 apparel and textile clusters successfully securing a place in the list. This reflects the fact that the apparel and textile industry was among the first industries to develop since the economic reform in China in late 1970s. After more than three decades of development, a great deal of competitive apparel and textile industrial clusters have established a strong foothold in China, especially along the coastal regions where they enjoyed preferential policies under the opening-up policy of the economy.

4. More high value-added industrial clusters are gaining competence

Apart from the dominant, traditional industries such as apparel and textile, we observe more high-tech industrial clusters entering the top 100 list in 2009. Examples include the electric car cluster and the photovoltaic cluster in Wuxi of Jiangsu province, the electronics cluster in Shenzhen and the solar water heater cluster in Dezhou of Shandong. The trend is set to continue, consistent with the government target to upgrade the industrial structure and to improve the quality of economic growth.

5. New, competitive industrial clusters are constantly emerging

Around 50 industrial clusters have entered the list twice in the past three years; And only about one quarter of the top 100 industrial clusters have gained a firm standing and stayed in the top 100 list for three consecutive years. Many industrial clusters are emerging as competitive players and challenging the old winners. Reshuffle of the list will go on in future.

V. Chinese government's initiatives to foster the development of industrial clusters

1. Initiatives by the central government

The central government recognizes the contribution of industrial clusters to the social and economic development and thus seeks to further the development of industrial clusters. According to *the Opinion on Facilitating the Development of Industrial Clusters*[5] announced by the National Development and Reform Commission (NDRC), the government has been making the following efforts:

(1) To strengthen planning and guidance

The government has tried to guide the development of industrial clusters in different regions in a coordinated and efficient manner to avoid over-competition and duplicative investment. Besides manufacturing clusters, the development of non-manufacturing industrial clusters, such as those engaging in cultural and creative industries and modern services, are also encouraged.

(2) To encourage better utilization of resources

The government would put more effort on monitoring and ensuring that resources such as land, water and energy are utilized in the most efficient and environmental friendly fashion during the course of development.

5 National Development and Reform Commission (NDRC), http://www.sdpc.gov.cn/zcfb/zcfbtz/2007tongzhi/t20071205_176934.htm, 2007

(3) To nurture leading enterprises and enhance specialization

The government has sought to nurture a number of leading enterprises, as well as enterprises supporting the leading enterprises. It is also hoped that the degree of specialization of the industrial clusters or enterprises will be increased.

(4) To encourage innovation

The government has been encouraging the application of information technology for enterprises to move up the value chain. Cooperation between enterprises and R&D institutions are also emphasized.

(5) To promote sustainable development

The government would promote sustainable development of industrial clusters through facilitating clean production, efficient use of resources and pollution management.

(6) To encourage brand building of enterprises and their products

The government has been encouraging the development of brands for enterprises and products, through such means as encouraging industry associations to register patents for the brand names of enterprises and their products. It is hoped that, in the longer term, an industrial cluster/region can become well-known among international suppliers as more enterprises/products in the cluster/region have developed their brand names.

(7) To develop producer services

The government has been promoting the development of financial services and other producer services.

(8) To ensure coordinated relocation of manufacturers

The government tries to ensure that the industry relocation currently taking place in China will be fully rationalized according to the regional strengths of various regions.

2. Initiatives by local governments

Local governments in China have also realized the significant role of industrial clusters on local economic growth. They have launched various plans, guidelines or measures to expedite the development of industrial clusters in their jurisdictions. For example, *the Interim Administrative Measures for the Recognition of Industrial Clusters Upgrade Model Zones*[6] issued by the Guangdong government was aimed at encouraging and supporting industrial clusters to upgrade, and boosting the competitiveness of industrial clusters in the province. The measures focused on providing platforms for public services, establishing brands for the industrial clusters or cities, and building industrial parks.

6 People's Government of Guangdong Province, http://www.gd.gov.cn/govpub/bmguifan/200809/t20080910_65248.htm, 2007

Other local governments also issued similar guidelines to promote the competitiveness of the industrial clusters within their jurisdictions: *the Opinion on Expediting the Development of Industrial Clusters in Shandong province*[7] issued by the Shandong government in 2008, *the Outline for the Development of Industrial Clusters in Shaanxi province for 2009-2015*[8] by the Shaanxi government in 2009, and *the Notice on Optimization of Industrial Layout for Fostering the Development of Industrial Clusters in Chengdu*[9] by Chengdu government in 2009. All in all, both the central and local governments are striving hard to build a favourable environment for the development of industrial clusters so as to enhance the competitiveness of their regions.

7 People's Government of Shandong Province, http://www.shandong.gov.cn/art/2008/7/29/art_956_1641.html, 2008
8 People's Government of Shaanxi Province, http://www.gov.cn/gzdt/2009-05/08/content_1308085.htm, 2009
9 People's Government of Chengdu, http://www.chengdu.gov.cn/GovInfoOpens2/detail_ruleOfLaw.jsp?id=Sr5ixVjp381UaKAfEOWd, 2009

Li & Fung Research Centre
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利豐研究中心

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Li & Fung Research Centre ("the Centre") researches and publishes reports on wide-ranging topics: Chinese economy, consumer market, retail sector, trade-related issues, and consumer goods industries, etc. Apart from providing internal consultancy for the Group and its clients, the Centre also participates in formulating business strategies in the Mainland market.

The Centre has been actively promoting the application of SCM. In 2003, the Centre published the book "*The Orchestrator of Global Supply Chain Management*", which is regarded as a very useful reference among businessmen and academics in the Chinese mainland, Taiwan and Hong Kong. The revised and expanded edition was published in August 2009.