

GUANGZHOU'S QUEST FOR REINVENTION

The city stands poised for an industrial revolution over the next five years as it seeks to remake itself into a technology, research and development hub

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Imagine it is a beautiful clear day in Guangzhou and the year is 2015.

Businessmen are embarking on high-speed trains to Wuhan, Changsha, or as far as Xiamen; and while they keep their appointments, their wives spend time having high tea, having their hair done, or shopping.

Trendy day-trippers in Hong Kong jump aboard the newly-commissioned Hong Kong-Shenzhen-Guangzhou express rail trains and arrive in Guangzhou within 50 minutes. They hunt for the latest fashion on sale in local stores, before pausing for a freshly-brewed cappuccino at swanky pavement cafés.

Outside Guangzhou, in Panyu and Nansha, new industrial parks have sprung up. They have become home to car manufacturers and hi-tech product makers, as well as research and development companies.

"Guangzhou will have become a regional hub, catching up rapidly with Shanghai in terms of affluence and living standards," said Dr Thomas Chan Man-hung, director of Hong Kong Polytechnic University's public

policy research institute. "By 2015, it will have played a key role in the province's metamorphosis."

Policies outlined in the city's 12th five-year plan for 2011 to 2015 call for an industrial revolution in the Pearl River Delta to drive the "factory of the world" up the technology and value chain, and to become a research and development hub.

Manufacturers that use imported raw materials to process and produce exports, and are largely labour-intensive, energy-consuming and polluting in nature, are deemed unwelcome under the five-year plan. While they presently account for about 60 per cent of the city's exports and some 59,500 Hong Kong factory owners are prominent among them, their days are numbered, Chan said.

"Labour-intensive and polluting factories will be wiped out sooner or later," he said. "Expect a tidal wave of runaway factory bosses in [the] coming months." When the polluting factories are finally gone, Guangzhou's blue skies would be restored, he said.

Hong Kong Small and Medium Enterprises Association chairman Danny Lau Tat-pong predicts the number of Hong Kong factory bosses in Guangzhou would decline over time rather than vanish overnight. But whatever the time frame, that outcome is certain, he said. "All factors point to the demise of labour-intensive and primitive industries," said Lau, whose factory in Dalang town in Dongguan produces curtain walls for skyscrapers.

Stanley Lau Chin-ho, deputy chairman of the Federation of Hong Kong Industries (FHKI), expects one in every three Hong Kong factories across the border to be swept out of business by industrial reforms unless they upgrade themselves. A survey conducted by the federation two years ago found that there were about 59,500 Hong Kong factories in the Pearl River Delta.

Some of those surveyed noted that even without industrial reforms, ballooning costs, the ongoing strengthening of the yuan, and an

uncertain economic climate in the United States and Europe, left them with little choice but to add value to their products. Or they could migrate to lower-cost regions, build brands or develop products with their own industrial designs.

The mainland's Ministry of Human Resources and Social Security said on July 25 that 18 regions had raised their minimum wages, with Shenzhen topping the nation's highest at 1,320 yuan a month.

A growing number of Hong Kong manufacturers have meanwhile bet their future on domestic consumption on the mainland. They plan to plug into the thriving markets in Shanghai and Beijing, and booming regional markets such as Guangzhou, Jiangsu, Dalian and Wuhan.

Mandarin Enterprises (International) – a textile firm that supplies fabrics to US first lady Michelle Obama and to high-fashion labels such as Burberry, Max Mara, and Lanvin – plans to collaborate with a group of exporters to penetrate those markets. Managing director Estella Kwan Tak-ying said a group of factory bosses were on the verge of forming a charity organisation, which would serve as a platform for Hong Kong manufacturers to exchange information and share retail and wholesale experiences on the mainland.

"Manufacturing and retailing are two different industries," she said. "Most manufacturers are small- and medium-sized enterprises. A collective body will provide more resources and experience."

TAL Group is a Hong Kong garment manufacturer with a factory in Dongguan. It sells one out of every six men's dress shirts sold in the US, and it chooses to maintain its focus on manufacturing as it has in the past 64 years. The company, however, said it would differentiate itself from rivals with innovative technologies and expanded supply chain services.

Chief operating officer Roger Lee said the company plans to trial customised fashion next year by offering made-to-measure services for

customers with deep pockets. For example, shoppers in Selfridges department store in London would be able to order customised fashion by choosing their favourite fabrics and designs, and have their size measured by a three-dimensional body scanner. The measurements would be digitalised, and the garments would be made in the company's factories in China, Vietnam, Malaysia and Indonesia, before they are shipped to customers.

"The trend is customised



A view of Tienhe district in Guangzhou. The city plans to oust polluting factories over the next five years to become a technology hub. Photo: Bloomberg

¥1.06tr

This is Guangzhou's gross domestic product, in yuan, in 2010. That is a surge of 13 per cent from 2009, and double the city's GDP in 2005

fashion," said Lee, among the third-generation successors to his late great uncle C.C. Lee, the company's founder. "We see ourselves as scientists, not just garment makers."

Although Lee concedes that customised fashion is expensive and cost-ineffective in the early stages, he reckons it would pay off upon reaching a certain economy of scale and technological advance.

TAL Group, a manufacturer for fashion houses such as Brooks Brothers and Burberry, is capitalising on

the engineering and forecasting expertise of Delman Lee, Lee's cousin and the firm's president and chief technology officer.

The company invented a technology that uses its manufacturing and distribution experience to forecast and manage inventory for its customers, Lee said.

FHKI's Lau said the Pearl River Delta would retain its reputation as the world's factory, but as one with better quality and technologically advanced products.



Workers in a TAL Apparel factory in Dongguan. Photo: Warton Li