Q+A | YANG JIANHUA

Zhongguancun park: Questions and answers

Editor's note: *Zhongguancun in Beijing is China's biggest and most famous technology hub. Originating in a small street where electronic products were sold, it has become the home of many Chinese technology companies, including Lenovo Group, Baidu Inc and Founder Group. It also attracted many world-renowned technology corporations such as Google, Microsoft, Intel, Oracle Corporation and Motorola, which established their China headquarters and research centers there.*
China Daily reporter Wang Xing recently interviewed Yang Jianhua, deputy director of the administrative committee of Zhongguancun Science Park, on his views of the development of China's very own "Silicon Valley".

Yang Jianhua, deputy director of the administrative committee of Zhongguancun Science Park

Q: What makes Zhongguancun the home of China's most innovative companies?

A: I think one of the major reasons is it has huge resources in research and development. Zhongguancun is close to a group of top Chinese universities, national academies and corporate research centers. These skill centers have provided the funding base for Zhongguancun. For example, the biggest company in Zhongguancun is Lenovo Group, which was spun off from the Chinese Academy of Sciences. Founder Group is a major Chinese technology conglomerate that was spun off from Peking University.

In addition, a series of government policies since 1988 such as providing tax exemptions, research subsidies and support for Zhongguancun companies also played a major role in the development of the park. These measures also make Zhongguancun the most attractive place for Chinese overseas students to establish a business back in China.

Q: When talking about Zhongguancun, many, especially foreigners, regard it as the Chinese "Silicon Valley". What do you think of such a comparison?

A:Zhongguancun is China's earliest and its biggest technology hub. Usually we don't introduce ourselves as a Chinese "Silicon Valley". Zhongguancun and Silicon Valley have certain differences such as in management style, which reflect differences in the political system of China and the United States. We are also behind Silicon Valley in terms of the scale of the technology industry cluster. When talking about Silicon Valley, people will think of Google, Microsoft and Cisco. It is these companies that drive the development of the world's information technology industry. The income of companies in Zhongguancun saw an increase of 26 percent over the past 10 years. But there is still a long way to go before our companies can catch up with those in Silicon Valley in terms of scale and the level of internationalization.

Q: What role did the administrative committee of Zhongguancun Science Park play in the success of Zhongguancun?

A: The administrative committee of Zhongguancun Science Park is part of the Beijing municipal government that helps coordinate with and serve the companies in Zhongcuancun. Unlike many new high-technology parks in other cities, we don't have rights in areas such as land-use approval and tax collection. But we did help a lot in creating a regulatory environment that fosters innovation. For example, we did a lot of work in coordinating with the Chinese central government in giving preferential policies to Zhongguancun.

Because we don't have rights to approve anything, we can get closer to the companies that we serve and help solve the problems that they may have. I think that is one of the major reasons that we can attract so many talented and high-technology companies.

Q: Do you think the success model of Zhongguancun can be copied in other Chinese cities or even overseas?

A: Some parts of the Zhongguancun can be copied but some others cannot. I think helping to foster an industry or establishing preferential policies can be copied, but the geographic and demographic characteristics of Zhongguancun cannot be duplicated.

Zhongguncun has China's biggest technology talent pool, which provides the foundation for high-tech industry. That is very hard to replicate.

Q: What do you think Zhongguancun will be in the next 20 years?

A: I think in the next two decades, Zhongguancun will have the three top technology industry clusters in the world and will create a group of the world's top technology entrepreneurs. In the next 20 years, the capital market in Zhongguancun will be much more mature and active, so entrepreneurs will have much more resources to achieve their dreams and change the world.

Countdown to a new GPS

Companies hope to cash in on auto navigation services soon

By **WANG XING**
CHINA DAILY

TECH

BEIJING — In China's dynamic high technology industry dominated by young entrepreneurs in their 20s and 30s, 59-year-old Lu Jianguang might seem out of place. But he is involved in a business that perhaps only the more elderly can best understand — "selling time".

As the president of Beijing Guozhiheng Power Management Technology, one of the first companies to provide a civilian service based on China's Beidou navigation system, Lu's job is to sell devices that can measure time to a nanosecond — one billionth of a second.

By tracing and synchronizing time to such a precise level, Lu's products ensure the safety of many electricity power stations, telecom carriers and even financial institutions.

"Many of China's key industries rely on the global positioning system (GPS), which was developed and is controlled by the United States," said Lu.

He said because the GPS system service in China is free and unreliable, there will be a huge market for China's own navigation system in commercial areas.

As part of its efforts to establish an independent satellite navigation system, in 2000 the Chinese government launched the first Beidou system, which consists of three satellites with limited coverage and applications.

The government plans to upgrade the system to offer services to customers in the Asia-Pacific region by 2012 and globally by 2020.

Lu said just as the launch of the GPS system in the 1990s created a huge market across the world, the development of Beidou will also foster a huge market in China.

"In the auto navigation market alone, the GPS system created a 60 billion yuan ($11 billion) industry in China last year," said Lu. He estimated the market would reach 150 billion yuan by 2015.

ZHANG HEPING / FOR CHINA D AILY

A salesman demonstrates how to operate the Beidou navigation system for drivers at a trade market in Ningbo, in East China's Zhejiang province. As part of its efforts to establish an independent satellite navigation system, in 2000 the Chinese government launched the first Beidou system, which is to offer services to customers across the Asia-Pacific region by 2012 and globally by 2020.

The United States government controls the export of some civilian GPS receivers and has a history of disrupting or paralyzing foreign GPS services for military or political reasons.

That prompted many regions and countries, including the European Union, Russia and China, to develop their own satellite navigation systems.

China aims to have at least 10 Beidou navigation satellites in orbit before 2012 to cover the Asia-Pacific region and the final global system will consist of 35 satellites.

Lu said his company is expected to see explosive growth next year when China's Beidou system finishes its coverage in Asia-Pacific, which will mean the system will be able to provide reliable services for civilian use.

Lu said his company's major business came from Chinese electricity power stations, which require perfect synchronizing of time to assure the safety of high electricity voltage transmission. He estimates that the business can bring in about 300 million yuan in revenue for his company this year.

Currently, the Beidou system is mainly used for military navigation and to monitor agriculture and fisheries, as well as for big engineering projects. China has said that it will start to offer a GPS service aimed at drivers in 2012.

Liu Jingnan, a world renowned GPS technology specialist, said at a GPS conference that the cost of the new Beidou GPS chips will be lower than chips in the US.

Lu said as China's Beidou system becomes more mature, there will be an increasing number of civilian services in China and even in some overseas markets.

He added that his company also expanded in the telecom and financial markets, which also require accurate measurement of time.

LandOcean goes it alone internationally

By **DU JUAN** AND **ZHOU YAN**
CHINA DAILY

ENERGY

BEIJING — Aiming at becoming the biggest private oil and gas service company in Southeast Asia, LandOcean Energy Service Co Ltd will expand its business into the exploration sector for the first time in 2011.

The company is preparing to explore some oil fields in Chinese territories and abroad. The details of the projects are under discussion, said Yin Xudong, vice-president of the company.

"We are making efforts to make our company become more comprehensive and competitive in the global market," he said.

He told China Daily that the company's overseas projects will make up as much as 70 percent of its total business this year, showing a 20 percent growth from 2010.

The company started to get involved in the international market a decade ago by cooperating with the nations' three State-owned oil companies — China National Petroleum Corp (CNPC), China Petroleum and Chemical Corp (Sinopec) and China National Offshore Oil Corporation (CNOOC), but now its business has been flourishing without the big three. Now 70 percent of the company's overseas business is not directly related to them.

They have independent projects in countries including Brazil and Ecuador in South America and other businesses in Indonesia, Malaysia and countries in the Middle East.

The company plans to participate more in the global energy market using its advanced technologies and rich skill base.

Established in 2001 by both overseas and domestic businessmen, the company now has more than 400 employees. Five percent of them are former students who have returned from overseas. It has also set up offices in Houston in the United States and Calgary in Canada.

Yin said the development of the Chinese oil and gas industry is a history of innovation and creation of which the key is new technology.

"Our employees have great experience of working with complex geological phenomena and the technologies are developed from that. We therefore have certain advantages compared with foreign companies," Yin said.

The vice-president said the government had provided preferential policies for the development of companies in the Zhongguancun National Innovation Demonstration Zone, a hot spot in Beijing for entrepreneurship and investment in China's high-technology industry. That was the reason why it chose Zhongguancun as its base at its launch.

"We enrolled 20 to 30 graduates over the past two years from universities including Peking University, Tsinghua University and China University of Petroleum in the zone. They are excellent at software skills and the knowledge of geophysics that we require. The abundant skills resource is also an attraction of the zone," Yin said.

The government gives financial, policy and research support to the high-tech companies in the zone. Yin said older, talented people who have returned from overseas like him can get 1 million yuan from the local government in relocation grants, team-building funds and to pay for academic research.

The gross revenue of all the companies in the zone reached 1.55 trillion yuan ($282 billion) in 2010, accounting for 19.2 percent of the capital's gross domestic product, according to official figures.

Projects: Pilot tests by tech companies will be incentivized

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the establishment of Zhongguancun came about as a result of market forces, something unique in China's rigid planning system at that time.

As late as 1988, Zhongguancun was officially recognized by the central government and was given the name "Beijing High-Technology Industry Development Experimental Zone". After that, the administrative committee of Zhongguancun Science Park was established to help coordinate with and service the companies in Zhongguancun.

Since its inception, the Zhongguancun administrative committee has followed a strict policy of not interfering in companies that they serve.

"Unlike many new high technology parks in other cities, we don't have rights in areas such as land-use approval and tax collection. But we did help a lot in creating a regulatory environment that fosters innovation," said Yang.

Since 1988, the Chinese government has given several preferential policies to companies in Zhongguancun such as tax exemptions and research subsidies. It was reported that the administrative committee was willing to help solve problems such as looking for rental apartments for entrepreneurs in the area and even kindergartens for their children.

Last year, Zhongguancun accelerated its growth by building a "special zone of talents", which will give preferential treatment to people, especially those from overseas, who start businesses in Zhongguancun.

The preferential treatment includes registration for a Beijing hukou (permanent residency permit), medical care, insurance and tax incentives.

"Talent is the foundation for the future development of Zhongguancun because it is the top entrepreneurs that will bring about change in the world," said Yang.

According to official figures, 184 companies in Zhongguancun have become public companies, with the number listed on foreign stock markets reaching 73.

This year, many Chinese companies, including Youku, Dangdang and Qihoo360, launched their initial public offerings in the United States. Most of them are based in Zhongguancun.

Xia said the value of Zhongguancun is that the companies focus on providing products and services that solve Chinese problems.

He said Lenovo started from selling electronic components that enabled early computers to support Chinese language displays and input. Baidu was also funded to provide Chinese language search services.

But Xia said in recent years many Zhongguancun companies started to expand in overseas markets, marking a new stage in the area's development.

Having witnessed the success of Zhongguancun, governments in many cities have tried to follow the same path by establishing high-technology parks in cities including Shanghai, Hangzhou and Chongqing. Some of them have attracted many of the worlds' top technology companies. But Xia said the Zhongguancun model could not be fully replicated.

"Many have asked me whether the Zhongguancun model can be copied. I say that so long as the top academics, scientists and Chinese college students are here, the success of Zhongguancun can never be duplicated," he said.