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Doing Business In China Has Its Opportunities, Obstacles, SyChip President Says

U.S. companies considering expanding operations in China are presented a great opportunity as long as company executives understand the obstacles of doing business there and the ways to overcome them, according to George Barber, president of SyChip. Speaking at the MTBC's CEO Forum at Samsung on Aug. 26, Barber said China is experiencing tremendous economic growth fueled in part by a strong emphasis on education and a government that tends to promote local success.

The growth of the economy is due to several key factors, Barber said. The most notable is that China has become the third largest manufacturer in the semiconductor industry in the world. The country has an accelerating integrated circuit market where demand far outpaces supply. China has the largest handset market and the second largest PC market in the world, which has propelled the country to become one of the largest users of consumer electronics products in the world. The development of related industries will make the country the world's manufacturing hub.

"China's electronics growth is staggering and the country is emerging as a world leader in communications, computing, and consumer electronics," Barber told the 28 CEOs in attendance. "China is forecast to become the second largest semiconductor market in the world by 2010."

Fueling the country's growing technology industry in part is their focus on education of world class engineers. In 2004, the United States produced 50,000 engineering graduates and India produced another 100,000. By comparison, China graduated almost 450,000 engineers.

The engineers are highly trained, excellent employees and work for less money than most engineers around the world.

Additionally, China is developing a set of strict technology standards that compete with the more open standards developed in the U.S. and around the world. This often makes it difficult for US companies to independently introduce applications there. In areas such as 3G mobile communications, enhanced versatile discs, WLAN and VoIP, the Chinese government is heavily involved in the standard setting and roll-out of each in China.

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A company that does its homework so that it understands the Chinese way of doing business and develops a comprehensive plan of action can overcome the obstacles and be very successful.

Barber had these recommendations for a company interested in establishing a subsidiary in China:

- Have a clear objective of what you want to achieve.
- Have an experienced local manager with U.S. experience if possible.
- Have form over substance with respect to the government – document well.
- Business practices are very different – understand the culture and the legal issues.
- Leverage investors and service providers.
- Don't assume everything is cheaper in China.
- Provide for thorough integration.
- Compartmentalize to avoid IP leakage..

SyChip, with headquarters in Plano, and offices in New Jersey and Shanghai, was founded in 2000 as a spin-out from Bell Labs. The company designs, develops and markets Radio Frequency Chip Scale Modules for the mobile market. The company was No. 1 on the list of the Titan Fast 50 for revenue growth over the past five years at the 2005 Tech Titans Gala Awards.

Barber's presentation was the fourth in a series of six CEO Forums being held this year on the subject of "Re-Building The Technology Economy In North Texas."

The program, sponsored by Stanton Chase, is an invitation-only program specifically designed for the CEO or president of a technology company. The purpose of the program is to present an opportunity for CEOs/presidents to meet with their peers for a roundtable discussion of ideas, trends and issues relevant to the DFW technology industry.

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