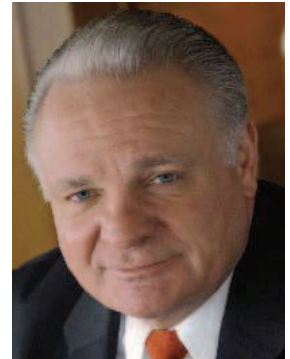


Filling China's Cracks in Technology, Products and Services

For all of the economic progress that has been made over the past 30 years, China's economy remains embryonic in nature. As a result there are many technology, product and service gaps, which will need to be filled in the years to come. Investors hoping to take advantage of the country's growth will want to know where to place their bets.

By Jack Perkowski



Even the most casual China observer can quickly spot the opportunities that exist. One of the most glaring opportunities is in environmental technology. Of all the countries in the world, China has the greatest vested interest in finding new technological solutions to environmental issues. The choice for the country is clear: China must either stop or slow down its economic development, or it must find new ways to curb the environmental impact of rapid industrialisation. With 900 million people living in the countryside hoping to benefit from

architects to design green buildings. Zhang Hue, a Chinese tycoon, has built Broad Air Conditioning into an industrial powerhouse in China by developing and promoting a form of air conditioning that uses less energy than conventional means. Broad did not invent the technology, but took the risk of investing heavily in an approach that companies in Japan, Korea, Europe and North America had looked at and neglected. Tang Jinqun, a Chinese engineer, spent 20 years making the fast-growing cement industry less environmentally

phones and other uses. The company's fast-growing auto-making unit, which it only established in 2005, makes compact and subcompact cars for the Chinese market that now account for nearly one-third of the company's revenues. BYD plans to offer its first fully electric-powered car to Chinese customers this year. Buffet believes that the company is at the cutting edge of battery technology in the world. Its electric cars can be 80 per cent recharged in 15 minutes and have a range of almost 190 miles.

"Warren Buffet paid 1.8 billion Hong Kong Dollars for a 10 per cent stake in BYD, a Chinese battery manufacturer that plans to sell electric cars in the United States by 2010"

the continued growth of the country's economy, China has no choice but to press on. In 2005, China set a goal of reducing significantly the amount of energy required to produce one unit of gross domestic product by 2010. Chinese companies and entrepreneurs are rising to the challenge, and the opportunities for foreign companies with relevant technology have never been greater.

The China Institute of Building Standard Design & Research, formerly a part of the country's Construction Ministry, has established the Department of Energy Efficiency and Renewable Energy that is working with

destructive. Tang's solution is to capture the enormous amount of heat usually wasted in cement making and use it to run turbines that generate electricity, thereby cutting power needed to produce cement by 30 per cent.

In one of the most dramatic developments in 2008, Warren Buffet paid 1.8 billion Hong Kong Dollars (about USD 230 million) for a 9.89 per cent stake in BYD, a Chinese battery manufacturer that plans to sell electric cars in the United States by 2010. Established in 1995 and based in Shenzhen, BYD is one of the world's largest makers of rechargeable batteries for mobile

Another gap is health care. Several years ago, we took 20 of our Chinese general managers to the United States for an intense, weeklong management meeting. For many, it was their first visit to the country they had heard so much about, and they were excited to have a chance to visit it. Midway through the week, feeling a bit guilty about how hard we were working them, we decided to give them an afternoon off to do as they wished. This would give them an opportunity to see some of the sights and experience the country, or so we thought. When asked how they wanted to spend their rare bit of free time, the answer was unanimous: "We want to go to a mall."

Needless to say, that wasn't what we expected to hear. What could they possibly hope to buy at a mall in the United States that they couldn't find at home – at much lower prices, no less? After all, most of the merchandise being sold in the stores was likely to have been made in China in the first

place. We got our answer the moment the bus pulled into the parking lot. Every manager made a beeline for the pharmacy and began stocking up on vitamins for themselves and to take back to their parents. This incident told me two things: Firstly, our Chinese managers couldn't find suitable products in China. Secondly, when people start making money, they want to live longer and are less sensitive to the cost of products and services that help them to achieve that objective. From that moment on, I became a believer that health care was going to be a big opportunity in China – at least someday.

That day has now come. In February, China announced that it would spend RMB 850 billion (USD 124 billion) over the next three years to upgrade the nation's health-care system by expanding insurance coverage, revamping public hospitals and improving access to medical treatment. China's State Council said its goal is to

extend medical insurance to 90 per cent of the population by 2011 and make basic health-care services available to all of China's 1.3 billion citizens. Under the new plan, the government will put in place a network of hospitals, clinics and community health-care centers covering both rural and urban areas and improve insurance coverage by increasing subsidies for premiums.

"During their free time on a business trip to the US, our Chinese managers made a beeline for the nearest pharmacy to stock up on vitamins"

Environmental technology and health care are but two examples of the gaps that need to be filled in China and that represent two of the best opportunities going forward. There are others. China's financial services industry must develop so that the country can begin to recycle its vast pool of savings back into the economy. Wholesale and retail distribution, off limits to foreign

investment until the rules changed in 2001 when China joined the World Trade Organization, is another. And so the list goes on.

Opportunity is where you find it, and China now offers potential growth for Chinese and foreign companies alike in a wide range of industries. The global leaders of tomorrow will be those

companies that are able to combine the best products, technology and know-how from around the world with the China market. ■

Jack Perkowski is the founder of ASIMCO Technologies and a Wall Street veteran. He is the author of Managing the Dragon: How I'm Building a Billion Dollar Business in China and runs the blog managingthedragon.com.

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