

China's rosy economic performance has become a familiar refrain over the last few years, with news reports lauding the fact that the country managed to avoid the Asian financial crisis, the global high technology meltdown, and consistently boasts a healthy annual economic growth rate between 7% to 8%.

As a Canadian IT business, you have evaluated the advantages and the disadvantages of doing business in China, and are ready to take the plunge into this growing market, or maybe just dip your toes. If you're not sure how to get started, or even how to proceed, consider the following tips:

- **Consult with Canada's Trade Commissioner Service** — Canada has an Embassy in Beijing, Consulates General in Shanghai, Guangzhou and Hong Kong, as well as a Consulate in Chongqing. Each office is staffed with experienced IT specialists familiar with the local markets, who can offer you sound business advice and put you in contact with appropriate individuals.
- **Develop a proper business plan** — Proper business planning is important in any market, but is especially so in China, given the fierce competition from companies worldwide. Make sure you know your product/firm strengths, and the needs of your targeted customers. Make use of the latest market intelligence when planning and undertaking marketing activities. Develop a realistic business plan tailored to your targeted markets. Consider hiring an experienced lawyer who is familiar with Chinese law, especially contract and commercial law.
- **Do not try to conquer the Chinese market all at once** — China has a population of 1.3 billion, spread across over 30 provinces/regions, each with unique characteristics. Make use of the many market studies available through DFAIT or independent organizations.
- **Recognize and respect cultural**

differences — China is a country with an intertwined ancient culture and history. If you wish to work here on a long-term basis, try to develop a good understanding of the culture, language and etiquette. In the short term, you may consider hiring a local agent. When

up local sales offices is advisable, and in the longer term, local manufacturing either through a joint venture or through technology transfer.

- **Protect your intellectual property** — IP protection is not always enforced by the Chinese judiciary, and is not part of the Chinese her-

Doing IT business in China

10 tips to consider

in doubt, consider that good manners in Canada will likely be good manners in China.

- **Be aware of the importance of "guanxi"** — In the West, the rule of law defines how we interact with each other. In China, your personal connections or "guanxi" are what count. Do not over commit in business dealings as it could take years to regain the trust of your customers/partners if you fail to deliver. Deal with your business contacts in an ethical and honest manner, as relationships are long-term and should be nurtured as such.
- **Recognize the need to accommodate numerous Chinese objectives in any business deal** — In general, it is more difficult to pursue a major IT contract in China than in Canada because you must satisfy the objectives of a greater number of stakeholders. Given that all of the major telecom firms are partly owned by the Chinese government, success is not guaranteed merely by offering the lowest cost/highest quality product or service. You will also need to satisfy various government objectives such as job creation. Consider marketing your company in a manner consistent with the Chinese value of "giving before taking."
- **Be prepared to establish a base of operations in China** — The Chinese government institutes practices that favour local procurement. Setting

it. As such, when developing your business plan, hiring employees or forming partnerships, take the appropriate measures to safeguard your IP rights.

- **Have a plan to repatriate your profits** — Barriers exist for foreign firms in converting their money and repatriating the profits. You will need to thoroughly explore this issue, and have a plan.
- **Be patient, and be committed to the market** — Don't expect to get rich quickly. It often takes years to cultivate the necessary business relationships. You will likely encounter numerous unexpected obstacles and setbacks, ranging from lack of transparency in the decision-making process, to a changing regulatory framework, to partnership difficulties. Perseverance is a must! China is a market that you must pursue on a full-time basis.

This list is far from exhaustive, but consider these tips before you take that first flight to China, in an effort to conquer this highly competitive, and potentially, highly lucrative market. Bon voyage!

For more information, contact Dale Forbes, Manager, China and Hong Kong Division, Industry Canada, tel.: (613) 990-9092, fax: (613) 990-4215, e-mail: forbes.dale@ic.gc.ca or Marcel Belec, Trade Commissioner, China and Mongolia Division, DFAIT, tel.: (613) 995-6962, fax: (613) 943-1068, e-mail: marcel.belec@dfait-maeci.gc.ca *

