



## Doing Business the Chinese Way: A Chat with Stacy Sun

by Jackie Headapohl

“Now that China, the most enormous market in the world, has opened up to business outsiders, entrepreneurs have new opportunities to grow almost without limits. But you should know, a clock is ticking.

Sometime in the next two decades, cheap labor – one of the prime attractions of doing business with China – will be a thing of the past.

That’s the word from Stacy Sun, founder and CEO of the Asia Pacific USA Chamber of Commerce. A native of China, Sun has established reciprocal trade relations with five Chinese cities and established entrenched relationships with the highest level of Chinese government.

She’s also CEO of China Global Ventures, a business consulting firm. Often acknowledged as one of the most effective consultants within the U.S.-Chinese business community, Sun recently sat down with StartupNation to talk about entrepreneurial opportunities in the land of her birth.

### First, just what are the opportunities in China?

Let me give a little background on China – the world’s largest market – and its growth.

China is the cheap manufacturing hub of the world. It makes:

- 70 percent of the world’s toys
- Half of all computers and cameras
- 35 percent of mobile phones

- 30 percent of televisions
- 25 percent of washing machines

That's just to name a few. In 2005, China bypassed Korea and Turkey and became the largest importer of waste and scrap metal. It consumes more than one-third of global coal, cotton, iron and cigarettes. China imports 30 to 50 million tons of food and is now building a natural gas pipeline two-thirds as long as the Great Wall.

And here are some statistics on growth: China's non-financial direct overseas investment was up more than 25 percent in 2005. Profit assessment was up more than 41 percent. All together, there were 1,067 overseas medium Chinese enterprises approved in 2005, with the investment value of Chinese parties up 87.3 percent. And from January through November last year, China approved and set up more than 39,000 foreign-invested enterprises, up by 1.17 percent from the previous year.

Obviously, there is opportunity in China for entrepreneurs, specifically in these industries:

- Telecommunication equipment
- Information technology
- Medical equipment
- Oil and gas
- Biotechnology and pharmaceuticals
- And perhaps the safest opportunity – environmental protection.

For the past few years, those specific areas are really making a lot of money.

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## **Are there challenges for entrepreneurs looking to enter the Chinese market?**

Yes, there are several.



First is law enforcement and regulation. In most industries, American companies have to work with local partners. The protection of intellectual property is still a big issue. It's slowly improving, but still a big challenge. Regulatory requirements vary by federal requirements, provincial requirements and city requirements. Some cities are easier than others, but it changes quite often. Many foreigners find this very frustrating.

The business culture is also very challenging. Business-to-business marketing is difficult because 30 percent of the infrastructure is government controlled. There's a lot of bureaucracy and politics. Business-to-consumer marketing is also challenging because of varied requirements throughout the country.



Take lipstick. In Shanghai or Beijing, lipstick can be sold for one-and-a-half times the price in America. In other places, it can't be sold at all. There are 20 regional markets. Each has its own cultural barriers. Each must be approached differently.

Another challenge is in human resources. It's very difficult to find qualified middle level managers. The cultural mindset in China is so different that most managers can't deliver the professionalism Westerners expect. It's very difficult to find a loyal manager in China. You must pay them well or they'll jump to another company that offers them \$1 more.

Employees must be coached, nurtured and baby sat. The cultural mindset of Americans and Chinese is very, very different.

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## Where should you begin if you want to enter China?

It's a slow process. The market opens very gradually. It's a long-term commitment. If you don't want to team up with a local Chinese partner, you must become an expert on China. Entrepreneurs should outsource in order to gain the knowledge they don't have. Most companies need help for the first three to five years.

Another way would be to do it gradually by dealing with a Chinese distributor or facilitator. Let the Chinese partner deal with the challenges. In this case, the challenge to the entrepreneur is finding a loyal partner in the U.S.-China business community.

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## Where do you look for a one?

Trade shows and conferences is a common way, or by a third-party consultant who's a Chinese native. Entrepreneurs know their business the best, but they don't know China. For the first three to five years, most need help. After that, they can handle themselves.

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## Why is it so hard for Westerners to deal with China on their own?

A lot of it has to do with cultural differences. **Americans are very direct people. Chinese are very indirect; they always imply and will never say yes or no directly.**

In China, people are very cautious in the beginning. They need to know who you are and who made the introduction. Unless they're comfortable and trust you, they won't take action.

The negotiating styles of Americans and Chinese are very different. Americans like to save time – everything is quick, quick, quick. Chinese like to take their time during negotiations. And they hold their cards close to the last possible moment. This tends to frustrate Americans.

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## Are the challenges of entering the Chinese market worth it?

Definitely. It's **the cheapest manufacturer in the world and has the largest consumer market**. So no matter how difficult, entrepreneurs need to make a plan to get there.

I know of many companies already in China for five years, and none of them really made money during those first years. They made mistakes, struggled to find qualified employees and made incorrect assumptions about marketing.

For example, washing machines are popular gifts that husbands buy their wives on Valentine's Day. A brand of washing machine in China roughly translates to "loving your wife." If an American husband gave his wife a washing machine for Valentine's Day, it wouldn't be such a good thing.

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## **Can't we wait until the business climate is easier to negotiate?**

No, because the Chinese middle class is emerging. Now it's about 100 million, and the gap between poor and rich is huge, but the government is trying to change that.

The consumer economy is going to grow for the next 10 to 15 years. The average Chinese family saves 40 percent of their income, so Chinese banks have plenty of money available to develop the economy. In the next 10 years, the new middle class will have the most buying power.

Secondly, China's "one-child" policy will have an impact on the labor force. According to experts, after 10 or 15 years, cheap labor in China will be gone and the opportunities will go with it as well.

*Jackie Headapohl is a freelance writer for StartupNation.*