

New Opportunities In China

The figures speak for themselves. With a population destined to stabilize at 1.2 billion, (five times that of the United States), China will become the largest single market in the world. That will be especially true for industrial equipment.

China has the people, raw materials, and a determination to move away from a rigid economic structure to one that is largely market driven, prosperous, and matching the best the world has to offer. The country lacks hard currency and an installed capital base. It also needs more experience in modern management and marketing techniques.

To meet its long-term goal of a twenty-first century industrialized economy, China is opening its doors to foreign capital, management, and even ownership. This represents a significant change in its economic organization which was based on complete government control with total central planning.

That model has not worked, and there is no evidence that it can work. It is incapable of surmounting the bureaucratic morass into which it inevitably sinks. The Chinese have recognized that fundamental reality and have been moving toward a more free-market economy based on more than agriculture—something they have never known in their entire history.

The degree to which the change has taken place was described in a recent meeting with Mr. Zheng about. In so doing, they make it plain that the rights and profit expectations of the foreign interests would be protected.

The new plan has a special interest to smaller companies since any total venture less than \$30 million needs no further approval from a government agency. As Mr. Zheng pointed out, they know the stifling

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Mr. Zheng pointed out that China is eager to accommodate foreign investment and is most willing to buy some components from abroad. In the ideal situation, a Chinese plant would combine with an American plant to produce some kind of industrial product. This could be anything from an automotive or truck transmission to power plant equipment. Some components, especially those of a high technology nature, would come from the United States. Others would be built by the Chinese to incorporate into the final product which would then go into both the Chinese and world market.

Foreign investment could be anything from 30 to 100 percent of the total with business and board representation on a like scale. Profits could be repatriated, and management would be respected. One of the things so desired by the Chinese is an exposure to American management and marketing know-how. American capital equipment would be welcome. The Chinese want to expand their manufacturing capabilities and are willing to work with foreign interests to make this come effect of excess bureaucratic involvement, and the decentralization effort is aimed at freeing up the creative impulses of the Chinese people.