

China's Emerging Entrepreneurs And Brand Name Products

By Michael R. Newman

This is the second in a series of short articles reflecting my experience in working with Chinese clients and discussing business opportunities in China. Following the first article, I visited Beijing, Shanghai, Pudong and Hangzhou to meet with new clients and to see for myself why everyone seems transfixed on China as the emerging giant of the world economy.

When I first visited China in 1987, Beijing had a tiny airport, low-rise buildings, food products being delivered by horse-drawn carts and bicycles by the millions. China 20 years later is “mind-blowing,” with extraordinary high-rise architecture, highways congested with European and American cars, western-style hotels, and state of the art businesses.

My clients are role models for young Chinese entrepreneurs. Family-oriented and financed, well-educated and well-versed in international finance, they engage in everything from commodities trading to the global export of industrial diamonds from China to the import of scrap paper, steel and oil-drilling equipment into China. Their goals are not merely in international trade, but focus on the creation of hedge funds and the acquisition of companies, banks and real estate.

Chinese entrepreneurs are now seeking to create outbound investment while their country basks in the glow of a 55% increase in venture capital investment in 2006 over 2005, with investors placing U.S. \$1.89 billion across 214 deals last year (*Wall Street Journal*, February 3, 2007).

Money and entrepreneurs are not the only things outbound from China. Chinese brand-name products are already hitting world markets. *Business Week* recently stated that, “Global business executives are certainly agog at the prospect that the next stage of China’s superfast development will be the establishment of power brands in everything from retailing to white goods to autos and more – brands strong enough both to dominate at home and thrive overseas.”

The Haier Group is already a U.S. \$10 billion manufacturer of refrigerators, washing machines and other appliances, many of which are available at your local Wal-Mart. TCL Corporation, with U.S. \$3.4 billion in revenue, has reached a deal to merge its television manufacturing with that of Thompson in France and has taken control of Alcatel’s cell phone business.

Chery, a Chinese automobile manufacturer, is preparing to import and sell 250,000 SUVs, sedans and sports coupes in the United States starting in 2007.

McKinsey & Co. says, “. . . there is no doubt that world-class Chinese brands will emerge.” Ogilvy & Mather probably put it best when its CEO said, “Most Chinese companies don’t yet understand even what we mean by ‘positioning a brand,’ but they are anxious to know. They can’t suck it in fast enough. They are going to figure this out. You can see it in their eyes.”

The emergence of Chinese entrepreneurs and Chinese brand-name products on the world market create business and legal opportunities and concerns. One concern is Chinese insurance coverage relating to the products, which will be the subject of my next article.