



## Joint 'Ad'-Venture in China

**G**lobalization is changing the dynamics of PCB and laminate production throughout the world, and in particular shifting it toward China. We've all heard or experienced that the Chinese market is gaining while almost everywhere else in the world is losing its PCB market share. What are you supposed to do? How do you react? How do you take advantage of the situation? I've pondered these questions for quite a while and while there is no easy answer to manufacturers that are losing their share to globalization, those of us who service the PCB and Laminate industry must find a way to service the changing marketplace.

Growth in China is simply amazing. You simply have to go there to appreciate it. Shanghai is looking more and more like New York, and Shenzhen like Los Angeles each time I go. Some familiar western establishments are making inroads into China. Stores like Walmart, Home Depot, Subway, KFC, Rainforest Café, and the ever-present McDonalds start to remind you that our "American" brand of civilization is headed across the Pacific.

As an Independent Laboratory we receive testing from all over the world, and I have watched my customer base increasingly shift toward manufacturing in China. This shift exists throughout the entire electronics supply chain, and some of my best customers have expressed a keen interest in having a trusted local laboratory in China that can do testing for them. I saw this coming in the early 1990s when I began going to China as a consultant on large joint venture projects, and I have continued to regularly go to China to have an "on the ground" view of what was going on.

Until recently, it was difficult for a foreign business to make money and take it out of China. Government policy changes and China's upcoming entry into the WTO have

substantially changed the business climate there in favor of foreign investment. That's not to say that doing business in China is easy. Business and culture are just plain different in China. The western business model just does not apply in any rigid fashion. The big issue business owners face is not how to create a western style of business there, but one of how to adapt to the local business culture. You will find that the toasts, formal meals and "gambai" (bottoms up) are endless, and the food is not at all like you get here at the local Chinese takeout. On my last trip, a heaping plate of deep fried bamboo worms was the local delicacy (they tasted like chicken).

Once you decide that you need a facility or partner in China, you must then decide where to start your search. There are two main areas of PCB/Laminate manufacture in China that strongly compete with each other for dominance. The Pearl River Delta comprises the area around Guangzhou, Shenzhen and Hong Kong on the Southeast coast of China and is the country's top GDP producing area. Located so close to Hong Kong, there is a definite western flavor and comfort brought on by the former English presence in Hong Kong. I played golf in Shenzhen at night on a fully lighted beautifully laid out golf course (you play at night because it's too hot during the day). The infrastructure (airports, highways and railways) are good, and the area is growing quickly.

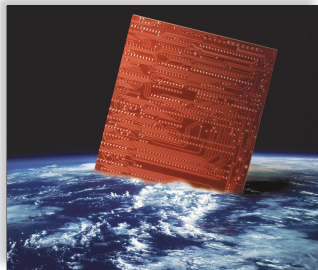
The Yangtze River Delta consists of the area around Shanghai, Suzhou, Wuxi and Changzhou on the central east coast of China, and is a close second in GDP production. The infrastructure here is as good as in the south, and the growth here is also astounding. Golf course communities and track housing are springing up here, and I

was amazed at the quantity of Mercedes, BMWs and other fine cars on the road competing with the bicycles. Shanghai, my favorite city in China, is also the home of the CPCA show and a great place for first timers to start looking.

When looking for a joint venture partner in China, there are three key things to look for. First, knowledge of the local government people and workings is critical. There is a lot of bureaucracy there. You have the national government, provincial government, city government, customs and special zones officials, so an intimate knowledge of how this all works is indispensable. Second, a strong local management team that is connected in the industry. Very little gets done in China without connections or introductions. These are neither free or easy to come by, so having a team that is "plugged in" is essential. Finally, honesty and loyalty are key. In any business situation where the financial reward for being dishonest is great, temptation abounds. Find a loyal and honest partner.

There are many specially designed economic development zones in China, offering financial and tax incentives for foreign investors. After evaluating all of the benefits in various areas in China, I decided on the Changzhou Electronics Technology Industrial Park located in Jiangsu province (about 1.5 hours west of Shanghai). It is very near the center of the PWB and Laminate industry in the Yangtze River Delta area. It is located on the Shanghai-Nanjing highway and railway, and has an international port on the Yangtze river and a national airport. It is also a Chinese National Level Development Zone. If you are looking for a place to land in China, I recommend this area.

The landscape of our industry has changed, and globalization is not a fad that will soon fade away. Wherever you are in this industry, educate yourself and find a way to move forward because globalization will affect you.



Bob Neves is the president of Microtek Laboratories, an independent test facility. Prior to his tenure at Microtek, Bob worked in quality management and engineering in PWB manufacturing. He currently serves as the IPC's Rigid Board General Committee chairman, Rigid Board Test Method Task Group chairman, Laboratory Qualifications (IPC-QL-653) Committee chairman, member of DESC's Tiger Team for MIL-P-RRRRR (MIL-PRF-31032), member of Blue Ribbon Committee for MIL-S-XXXXX (MIL-PRF-5X) and convener of IEC TC52 Working Group 10 Printed Wiring Test Methods. You can reach him by e-mail at [BobNeves@thetestlab.com](mailto:BobNeves@thetestlab.com) or at the company web site: <http://www.thetestlab.com>. Bob is also the Chairman of the IPC's California Circuit Association.