



AsiaBizCo, LLC(ABC), is a leading cross culture business development consultancy focusing on Life Science/IT industry and has clients in China, Japan and US. ABC has been instrumental in the successful completion of cross border business projects between US and Asian companies. These projects include product sourcing, joint product development, marketing agreements and licensing.

How to find the perfect location for your China manufacturing operation

Establishing a China business presence is becoming inevitable for many US firms. The strategies laid out here will give you a blueprint for choosing your home in China.

This article will take you through a thought process that narrows down your choices from thousands of possible sites in China to the one that will bring you closer to your objectives. This thought process encompasses both the quantitative and qualitative aspects of your decision making, particular to doing business in China.

Establish Your Own Criteria

Literally, there are thousands of possible locations in China to establish your operation, each with its own unique advantages and disadvantages to a foreign business. No one will view all attributes related to site selection with equal priority. For some, it may be Shenzhen's strong export and commercialism spirit that makes the best sense, for others it may be the Kunshan in Shanghai area that offer the best laptop supply chain.

What's the goal of your China operation? Is it to reduce production cost? Then, look for locations with lower land, construction, and other building cost. If you are looking for skilled production labor, then places with a large, inexpensive pool of skilled labor would be important to you. Is China domestic market access your main goal? Then, it would be necessary to take a look at where your customers are. Or you may be looking for a research facility where bulk of your product development can be conducted by equally inexpensive engineers and scientists. You can easily obtain detailed statistics from many of the top tier zones for your study.

Establish your own criteria early on will help focus your attention and save you time and other resources.



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Dealing With Local Officials

After two decades of market reform, China has gradually developed a unique dual track system where capitalism meets central planning. Within this dual track system, local government officials behave much like entrepreneurs.

They are motivated to recruit investments, build a larger tax revenue base and increase local employment. For you, official endorsement will bring much cooperation from your potential local counterparts, pave the way for smooth operations down the road.

Start by taking a close look at your business. Does it require government approval beyond the usual business licenses? Does your product need special government certification? Certain electronic products may need government production quote to manufacturer.

If you determine that your company has special needs, you need to develop special relationships with appropriate government agencies. Dealing with Chinese officials can be a significant part of your China investment strategy. Recognizing their dual functions as governing bodies as well as businessmen will serve you well in almost all situations.

Special Economic Zones

China has established Special Economic Zones (SEZs) to attract foreign companies. These zones are leading China's economic development and technological advancement as well as providing attractive locations for multinational firms who desire a presence in China.

SEZs boast sound management, a well-developed infrastructure, and administrative support facilities. When combined with favorable tax incentives, SEZs are catching on as some of the best options in China for foreign companies to establish joint ventures and wholly owned businesses.



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SEZ are sites that were approved by either the central or local government, and are run by corresponding government agencies with special administrative staff. These zones are empowered to give special incentives for foreign enterprises located in their zone, and are widely regarded as the best places in China for foreign companies to establish joint ventures and wholly owned businesses.

State-Level Zones

Even with your focus on SEZ's, it's still a list of over 4,000. So it is practical to start your study from the top by focusing on the larger, top-tier, State-Level zones. There are 49 state level zones located all over China, providing you with enough location choices.

These state level zones account for over 70% of all FDI enterprises in China. In industrial output, fifty percent (50%) of all automobiles and 37.3% of all cell phones manufactured in China are produced from these top state-level SEZ's.

These zones are usually larger in size, supported by large municipalities, and they attract many of the large multinational enterprises. Taking into account the role of government plays, the higher level the SEZs are, the more central government resources they can access directly. China is still a country run by ranks, so the higher the level of local officials who will support you, the better it will be for your business.

Tianjin Economic and Technological Development Area (TEDA), for example, is one of the earliest state-level development zones in China. Today, over 3300 foreign companies have settled in TEDA including forty Fortune 500 companies such as Motorola, Toyota, Nestle, Pepsi and Coca-Cola. Major sectors include electronics, automobile, metallurgy, machinery, chemistry, textile and medicine.

Like most SEZs, TEDA is strategically located, resting along a major seaport and a convenient transportation system.



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The China Roadtrip

With all the background work you've done, it's now time for that all important face to face meeting with the prospective SEZ officials and staff. A China road trip is about building trust, establishing relationships and laying the groundwork for negotiations.

Meet with the zone staff and investigate the zone facility, meet with local potential collaborators and get a sense of what it's like. Ask lots of questions pertinent to your selection criteria before and during the trip and see how the SEZ staff responds to your inquiries. Get a feel for the location and people and narrow down your list to 2-3 sites.

One thing to remember on a road trip is the importance of having meals with your Chinese partners or local officials. Meals are used much by the Chinese in business, to get to know you, to sound you out, and to introduce other people to work with you. By keeping your relationship to the host in mind, many others at the dinner table will act accordingly in later business dealing with you. There is much to be observed in the seemingly casual dinner gatherings, in between toasts.

The Final Selection

The final selection of your future home in China is a tally of all the quantitative assessments plus the people factor.

Do all the quantitative assessments add up to your criteria? Are all the hidden costs calculated? How do you feel about working with the officials? Is the staff responsive to your questions? Do most of them speak English? Will there be sufficient communication between you and your China partners to ensure a smooth project? This is the time to trust your instincts.

Tie it back to government officials, the higher up the officials you deal with, the less likely your project will go a straight.

Welcome to China and good luck.