



# **U.S. Opportunities in China's Consumer Electronics Market and SINOCES**

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January 2005

# Some News Highlights

- December 8, 2004 – Lenovo announced acquisition of IBM PC and Notebook Business with \$1.2 billion – third largest PC manufacturers
- October, 2004 – TCL, Alcatel formed JV in mobile phone manufacturing - TAMP;
- July 29, 2004, TCL and Thomson formed JV of color TV production – TTE – largest in the world: 20 mln unites in 2004, \$4 billion sales value;

# NASDAQ Listings of Chinese Enterprises

- In 2004, including Ctrip, altogether 9 Chinese .com companies successfully listed on NADDAQ; raising \$850 million;
- Shengda Network Gaming;
- Tom.com;
- Elong.com;
- 51job;

# Corporate Executive Visits in 2004

- March, HP CEO and President;
- April, Yahoo CEO;
- May, Motorola Chairman of Board of Directors;
- July, Microsoft Chairman;
- August, Dell CEO
- September, AMD CEO
- October, Cisco CEO

# What Do These Events Signify

- Globalization process well under way;
- Attractive marketplace;
- Chinese companies are becoming world class players

# China's globalization

- Provides opportunity as well as challenges for US companies

# Opportunities

- Chinese and US economies are mutually complimentary; not direct competitors
- US advantage is in technology; China's advantage is in manufacturing

# Challenges

- Unique culture;
- Transformational nature of economic and social structure;
- Different regulatory system



# Can you afford not to be in the market?

- Your current customers are there;
- Your new customers will come from there;
- Your partners are there;

# Important Trading Partners

- China has recently surpassed Japan as America's single largest trade relationship in Asia.
- China is America's third largest trading partner overall, with more than \$180 billion in total trade during 2003.
- It remains the fastest growing export market for the US, with exports increasing nearly 40 percent in the first quarter of 2004, compared to 28 percent in 2003.

# Electronics Manufacturing

- 16% share of worldwide electronics production - \$65 billion – is currently performed in emerging markets;
- Emerging market based production will grow by \$60 billion during the next 3 years; 77% of the new growth will be in China; as a result, China's share of global electronics production will nearly double from 8% to 14% by 2005 – surpassing Western Europe;

(World Bank sponsored survey)

# World Manufacturing Center

Clustering effect is obvious now in electronics manufacturing

Huge market plus extremely cheap but high quality labor make China's model hard to be duplicated by other countries

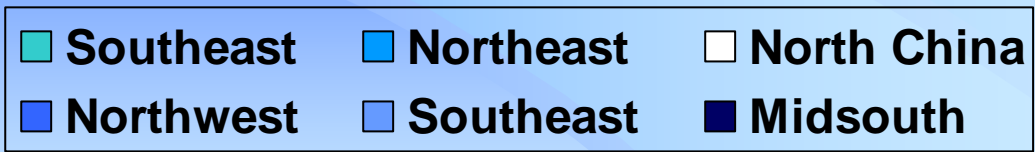
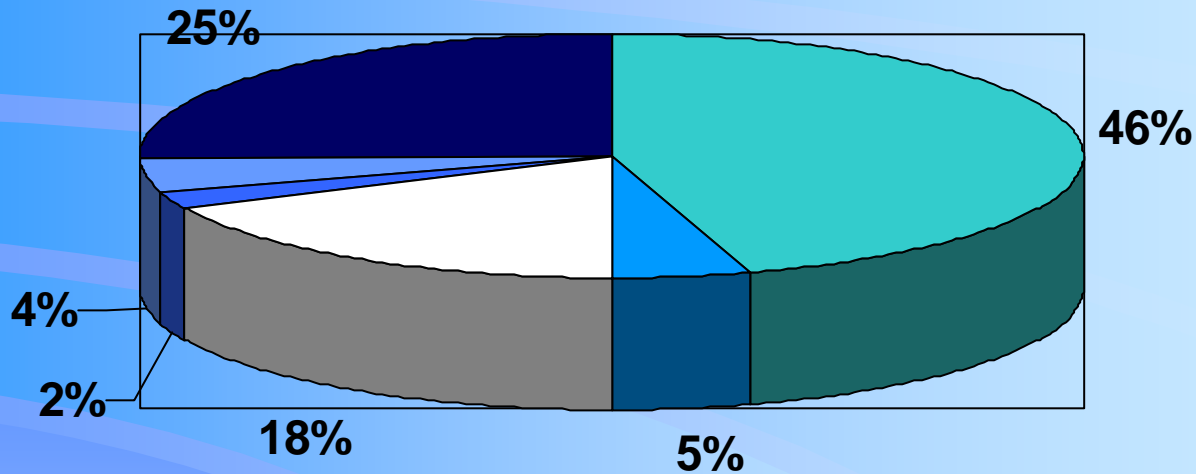
## China is now the world No. 1 or major manufacturer of the following products:

- Color TV
- Mobile phones
- Computers and peripherals, Monitors, Printers
- Audio-video devices
- DVDs
- Telecom equipment
- LCD

# Three Major Regions for Electronics Manufacturing

- **Yantzi River Delta**
  - Shanghai, Wuxi, Suzhou, Changzhou
  - Hangzhou-Large scale, capital intensive, domestic market-oriented
- **Pearl River Delta**
  - Guangzhou, Shenzhen, Xiamen
  - SME, Export-oriented, labor-intensive
- **Bohai Bay Area**
  - Beijing, Tianjin, Dalian, Qingdao
  - Large MNC and Domestic Enterprises

# Regional Distribution of Electronic Industry



# Best Prospects

- High-end finished products (laptops, PDAs, mobile phones, MP3 players, car audio - ipod)
- Core technologies (audio video encoding decoding chips, Mpeg - Veweb case)
- Critical Components and parts (GE switches, TI pressure sensor ...)
- Innovative technologies (usb drive, little optical mouse, energy saving, environment-friendly – Honeywell Haier deal);
- Equipment and tools – semiconductor, testing



# Why High-end Finished Products

- Growing affluence of population
- Growing sophistication of demand
- Inclination for luxury
- Preference of imported products
- More expensive than in the States
- Larger profit margin, high purchasing power

# Why Critical Parts and Core Technologies

- Large in size, but weak in technology
- Reliance on foreign technologies
- Mainly assembling (DVD, MP3, Digital Camera, PC ...)
- Short term vs long term
- Uneven development of technologies (semiconductor equipment, tester clips, GE switch – Florida case)

(Source: CCID)

# Why Innovative Technologies

- Low investment in R&D
- Unfavorable environment for innovation
- Requirement of global markets (environment, safety, health)
- Unsustainable growth pattern (energy consumption, environment-damaging, resource waste)

# Big Successes

- SMS
- Mobile storage (flash memory)
- Digital camera
- MP3
- Gaming
- Local loop wireless phones - explosive growth

# Areas with good potential

- Wireless PDA
- Wireless Laptop
- MMS
- Broad band
- High-end and digital TV, flat panel
- Gaming
- IC and Software



SINOCES

# 2005 China International Consumer Electronics Show

2005. 7. 1-7. 4





**Theme**

**3C Convergence and seamless life**



### Exhibition Scale

■ Standard Booths	1,200
■ Exhibiting Area	25,000 m <sup>2</sup>
■ Exhibitors	500 (Estimated)
■ Visitors	60,000 (Estimated)



## Exhibiting Scope



### Leading-edge Technologies

Showcasing latest concepts, technologies and development trend in the consumer electronics industry. Wearable computers, robot technologies, voice recognition technologies, blind guiding technologies, biochip technologies, etc.

### Household Audio & Video Products

Necessities for modern life, and perfect combinations of new video and audio technology, such as digital TV, flat TV, VCD players, portable media players, and stereo systems.

## Retrospect

We had successfully hold the show for three times. The total area is 70000 sq.m; altogether there were more than 1500 companies and 150 thousand persons take part in the show, among them about 20 thousand are foreign businessmen. In the year 2004, about 61000 persons attended the show and the volume of foreign business was 1.5 billion and the volume of domestic business was 22 billion.

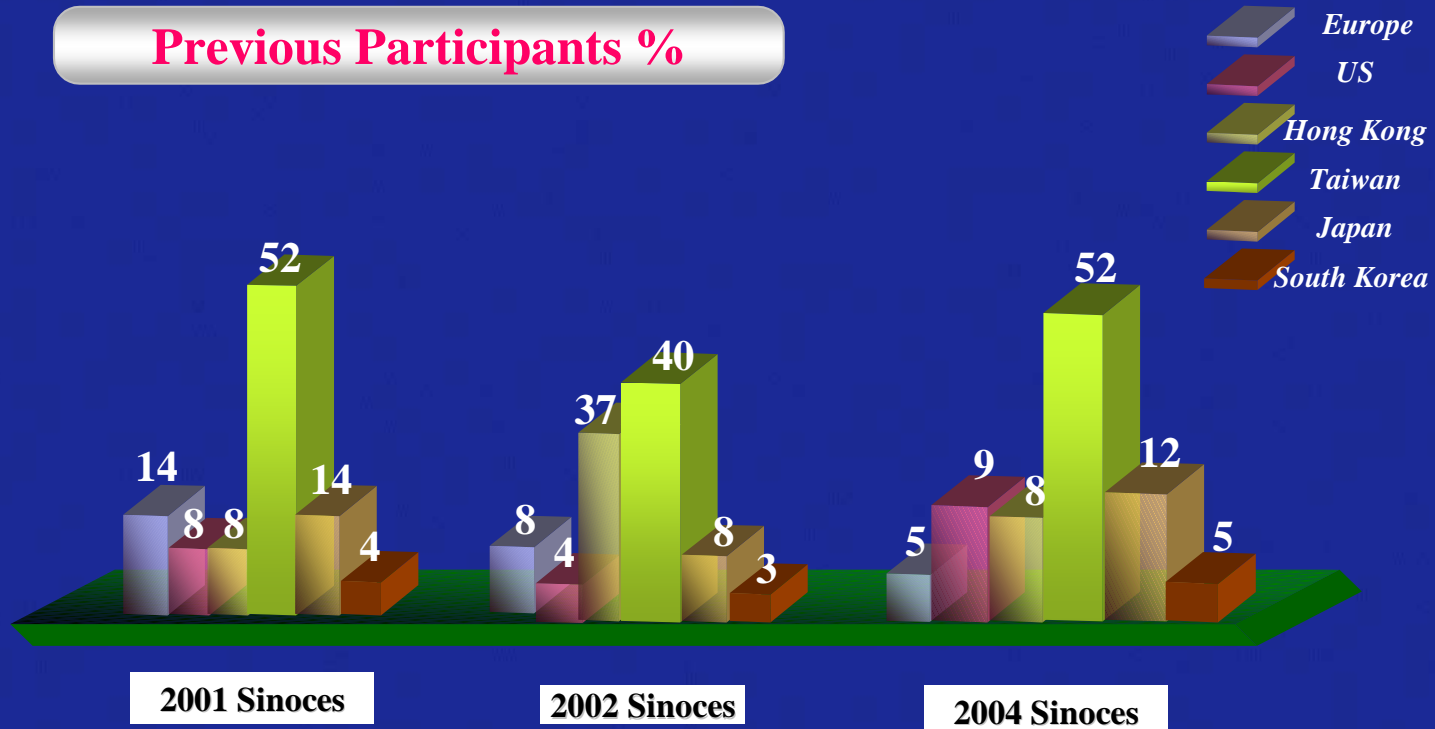


## Business Volume



## Global Consumer Electronics & Opportunities for China

### Previous Participants %



**Previous Participants**





## Previous Participants

### 1. Overseas Chain Stores

BEST BUY KOJIMA CONAIR Fortress eBay Yamada (Japan) QVC (USA)  
TATA (India) Broadway (HK) Shangxin Lianqing Taiyi (Taiwan)  
KINGFISHER (GB) Singapore IT Group Kastdat Quelle Ygeshi (HK).....

### 2. Domestic Chain Stores

Gome Sanlian Zhongyong Tongtai Shundian Five Star Suning .....

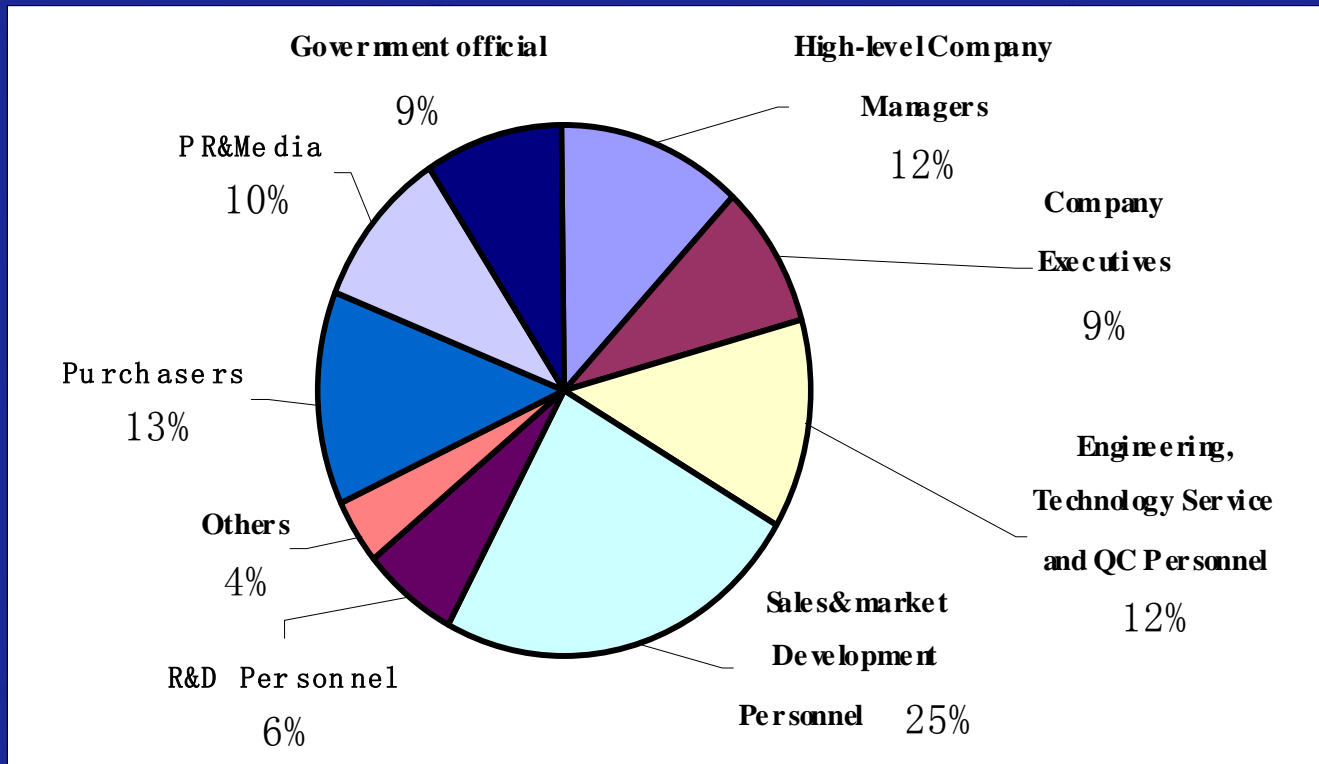
### 3. Domestic and Overseas Supermarkets

Walmart Metro Carrefour PriceMart Auchan Dashang Liqun Lianhua ...



## Global Consumer Electronics & Opportunities for China

### Visitors structure in 2004



## **Sponsors**

Ministry of Commerce, P. R. China  
Ministry of Information Industry, P. R. China  
Ministry of Science and Technology, P. R. China  
Shandong Provincial Government

## **Overseas Sponsor**

Consumer Electronics Association—CEA



## **Organizers**

China Electronic Chamber of Commerce  
Qingdao Municipal Government

## **Overseas Assistants**

Japan Electronics & Information Technology  
Industries Association-JEITA  
Electronic Industry Association of Korea-EIAK

## **Overseas Cooperator**

E. J. Krause & Associates, INC.

### ■ Portable Digital Devices

Offering you new accesses to information and giving you the pleasure of working. Notebook computers, tablet PCs, pocket PCs, student PCs, portable storage devices, etc.

### ■ Mobile Communication Devices

Fully displaying the development trend for future wireless communication. Mobile communication devices, telecom and network service, satellite positioning systems, etc.

### ■ New Electronics and Appliances

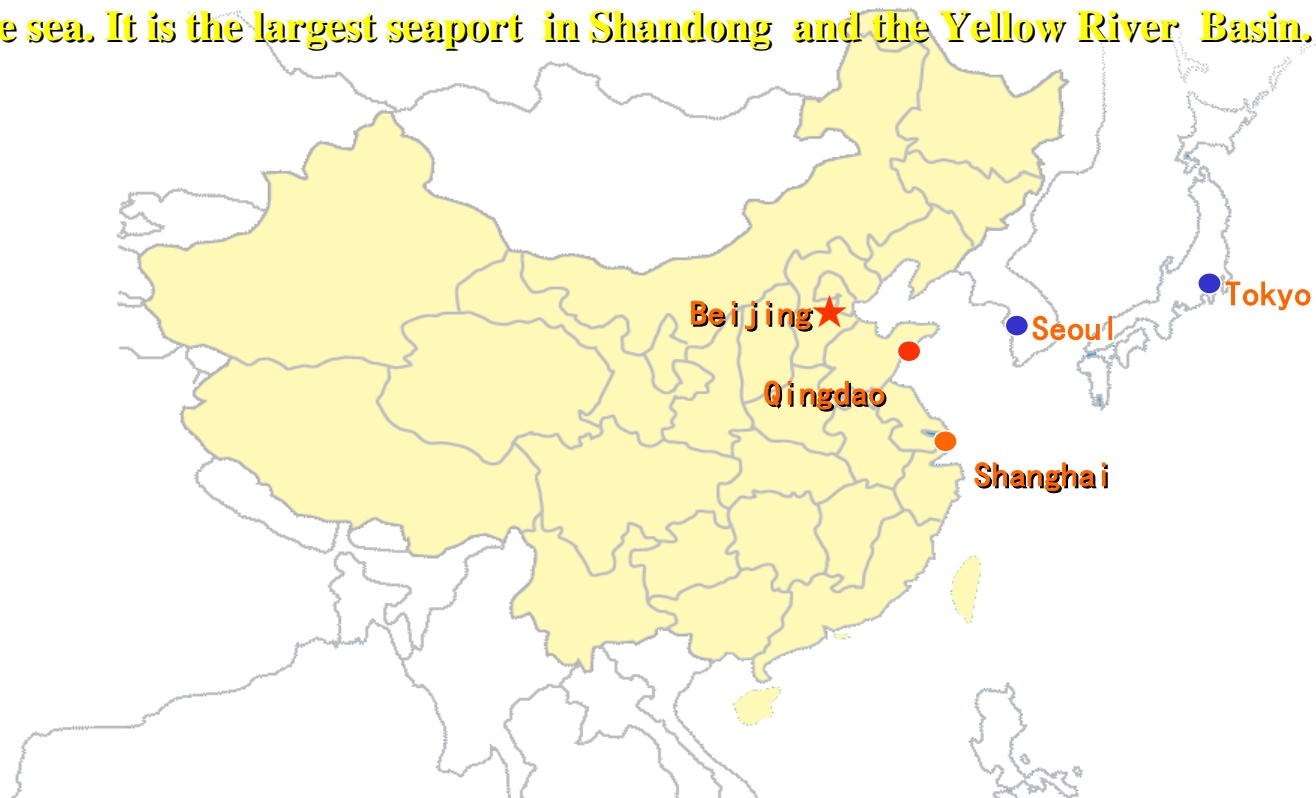
Showcasing new technologies and products. Vehicular electronics, healthcare products, household security systems, various small appliances.

## Major activities

- Consumer electronics industry summit forum—WEFEI
- Asia electronics forum
- Asia information electronics development forum—IAFA
- 3G Forum—China Mobile industry summit forum
- China flat TV industry forum
- Net game and mobile game Competitions

## Location

**Qingdao is situated on the west coast of the Pacific Ocean (119° 30'-121° E, 35° 30'-37° 9'N), overlooking the Yellow Sea. It faces Korea and Japan across the sea. It is the largest seaport in Shandong and the Yellow River Basin.**



# Partnership with CEA Guarantees Success

# US Pavillion at SINOCES

**A unique opportunity** for leading American companies to truly make an impact at such international exhibitions in China.

# Comprehensive Package

- Fully furnished, nine square-meter booth(s)
- A **prime location on the expo floor** as part of a “pavilion” of representative US companies
- Pre-show **region-wide marketing campaign** to buyers
- **One-on-one briefing** from a U.S. Embassy commercial representative
- **On-site counseling and support** throughout the show

# SINOCES 2005

- **PLACE:** Qingdao, Shandong Province, China
- **DATES:** July 1 – 4, 2005. Registration deadline is April 30, 2005.
- **COST OF BOOTH:** USD 1,960 for a 9 square meter booth (3m x 3m) within an 10-booth, 90 sq. m USA Pavilion



# Contact Information

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# Our Website



The screenshot shows a Microsoft Internet Explorer browser window displaying the website <http://www.buyusa.gov/china/en/>. The browser's address bar and navigation buttons (Back, Forward, Stop, Refresh, Home, Search, Favorites, History, Mail, Print, Edit, Real.com) are visible. The website content includes a navigation menu on the left with items like "Programs & Services", "Publications", "Market Research", "Industry Highlights", "Beijing 2008 Olympics", "Essential China Advice", "Business Services", "Providers", "Projects", "Information", and "Links". The main content area features a "Welcome!" message, the title "U.S. Commercial Service China", and a paragraph stating: "The U.S. Commercial Service promotes the export of goods and services from the United States, with an emphasis on assisting small and medium-sized U.S. businesses." Below this, it says: "We have six offices in China - Beijing, Shanghai, Chengdu, Shenyang, Guangzhou and Hong Kong - and many other U.S. companies." To the right of the text is a map of China with six cities highlighted in red: Beijing, Shanghai, Chengdu, Shenyang, Guangzhou, and Hong Kong. A large red arrow points from the top left towards the "Welcome!" text. A light blue oval at the bottom of the browser window contains the URL [www.buyusa.gov/china/en](http://www.buyusa.gov/china/en/). The browser's status bar at the bottom shows the date and time as 1/15/2003, 1:44 PM, and the location as Chicago, IL (11/25/2002). The Windows taskbar at the very bottom shows several open applications, including "U.S. Com...", "Microsoft W...", "The New Yo...", "Intern 4Beijin...", "Microsoft Po...", and "untitled - Paint".