



How US Companies Can Build Relationships with China

A Survey of Clean Energy Business people

by Craig Shields, Editor, 2GreenEnergy.com

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2GreenEnergy provides research and professional services to Renewable Energy businesses. Craig Shields is the author of a #1 "Energy" Best-Seller on Amazon: RENEWABLE ENERGY - FACTS AND FANTASIES.

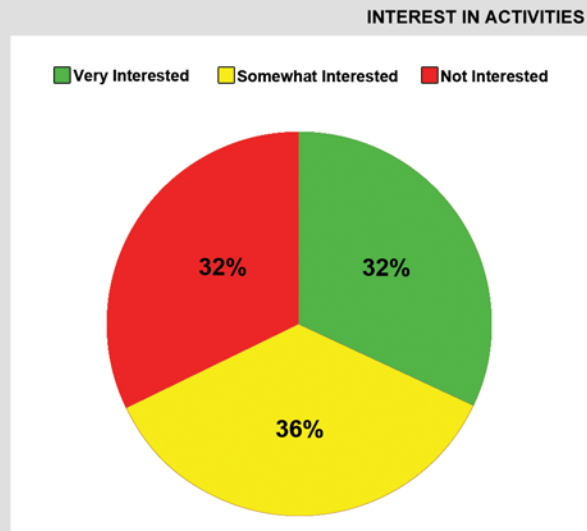
Here we present another in our series of free reports based on the surveys we conduct of the visitors to our site. The following is a summary of the results of participants to our July, 2011 survey.

The survey began with two sets of questions in which participants were asked to communicate their level of interest in various activities and technologies vis-a-vis China on a scale of very, somewhat, or not interested. The results of these questions ARE PRESENTED IN THE FOLLOWING PIE CHARTS.

Scroll down to page 9 for "Analysis and Conclusion."

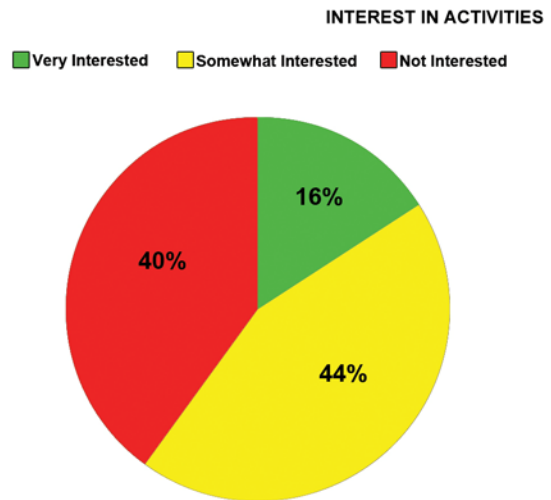
A)

Selling products in China



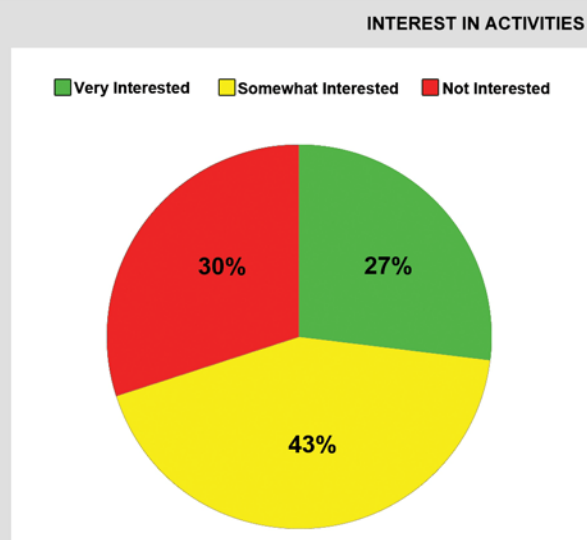
B)

Delivering business services in China



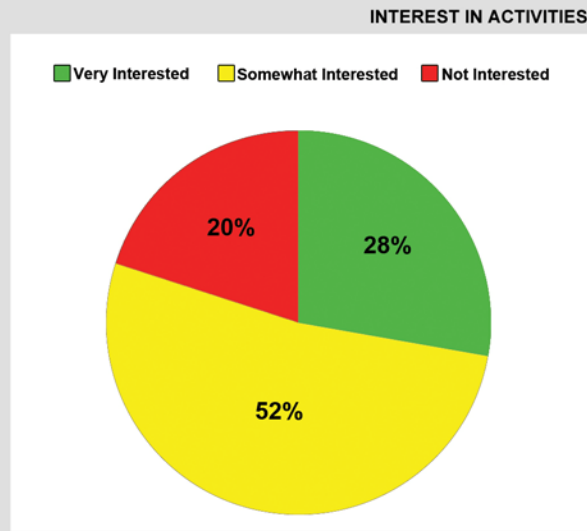
C)

Raising capital from Chinese public sector agencies



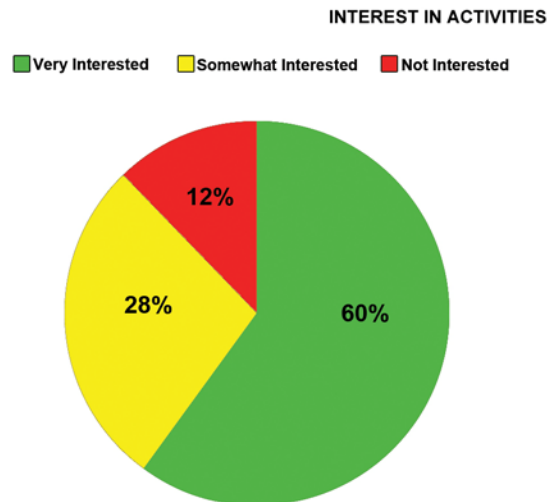
D)

Raising capital from private investors in China



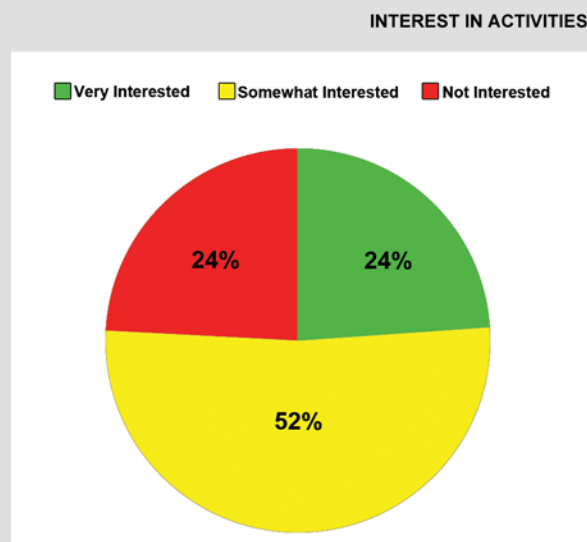
E)

Developing relationships with Chinese manufacturers



F)

Establishing sales channels in China

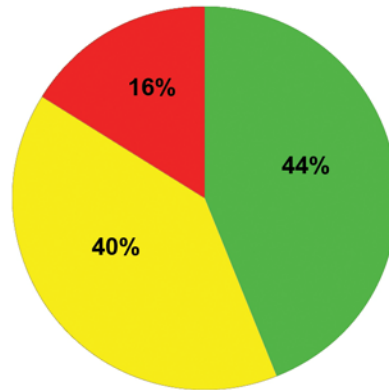


G)

Protecting my IP from expropriation by Chinese or other foreign companies

INTEREST IN ACTIVITIES

Very Interested Somewhat Interested Not Interested

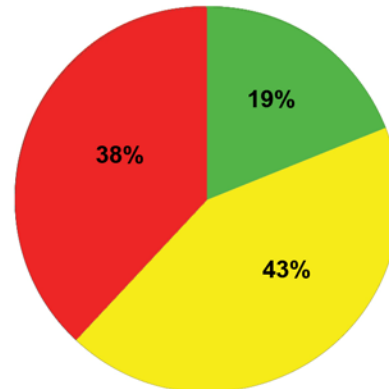


H)

LED Lighting

INTEREST IN TECHNOLOGIES

Very Interested Somewhat Interested Not Interested

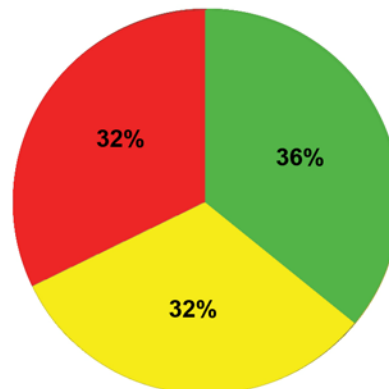


I)

Water Purification

INTEREST IN TECHNOLOGIES

Very Interested Somewhat Interested Not Interested

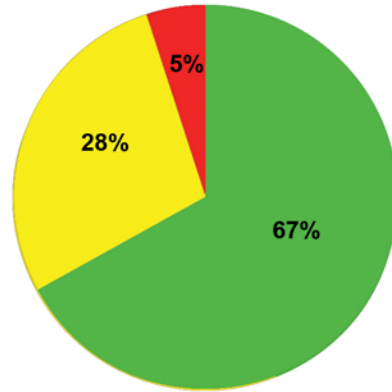


J)

Renewable Energy

INTEREST IN TECHNOLOGIES

Very Interested Somewhat Interested Not Interested

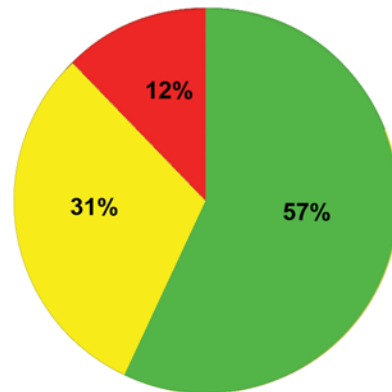


K)

Energy Efficiency

INTEREST IN TECHNOLOGIES

Very Interested Somewhat Interested Not Interested

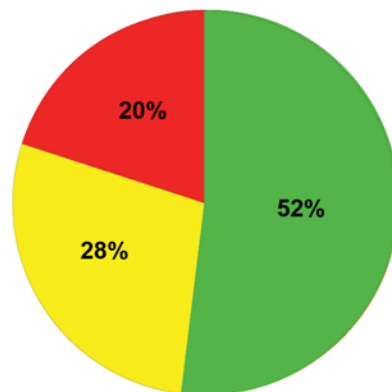


L)

Electric Transportation

INTEREST IN TECHNOLOGIES

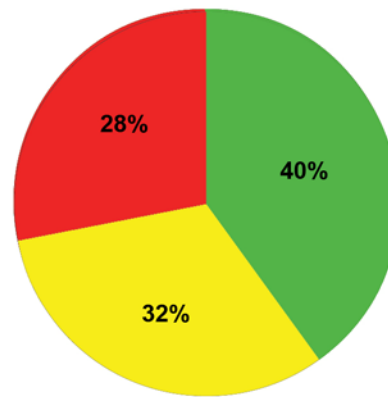
Very Interested Somewhat Interested Not Interested



M)

Sustainable Architecture

INTEREST IN TECHNOLOGIES
 Very Interested Somewhat Interested Not Interested



The following section contains discussion of five open-ended questions. For each, we have listed the major categories of response in descending order according to the frequency that survey participants mentioned each response:

Question 1	Responses
<p><i>What do you consider to be the most exciting aspects of the rapidly expanding size of the Chinese economy in renewable energy, electric transportation, and cleantech more generally?</i></p>	<ol style="list-style-type: none"> 1. The sheer size and scale of the PRC economy produces good quality energy-related products and electric vehicles at reasonable prices. 2. The government's interest in clean energy – will the US see the light and try to get a piece of this huge growth in business for US firms and workers? 3. Renewable energy products – regardless of who makes them -- will reduce their greenhouse emissions; China represents enormous potential to dislodge fossil fuels as the kingpin of world energy.



“The investment and focus that the Chinese are putting into these areas is akin to the moon and the interstate highway projects in the U.S. - unfortunately projects like these in the US ended long ago.”


Question 2	Responses
<p><i>Do you see any potential drawbacks?</i></p>	<ol style="list-style-type: none"> 1. China has very little exposure to world business ethics; poor contract law, dispute resolution; IP security is compromised. 2. China considers business a war; they take others' new technology, copy it, make it cheaper, pay no royalties; China steals everybody's business away; it is their policy to create and exploit monopolies . 3. Chinese quality is still lacking. 4. Overproduction can flood the market and could result in negative impact for US businesses. 5. Cross-cultural understanding; communication





“The cultural, political and legal differences often lead to serious conflicts and irreconcilable disputes. The legal system of the PRC is incapable of dealing with these problems.”


Question 3	Responses
<p><i>Do you have any fears about dealing with the Chinese? If yes, what are they?</i></p>	<ol style="list-style-type: none"> 1. Intellectual property breaches; dishonesty; lack of recourse in case of illegal acts 2. Hidden agenda; they want every manufacturing job around the globe. 3. Quality; we need standards guarding against poor quality and performance on products in China. 4. Cultural differences; poor communication 5. Foreigners have unrealistic

	<p>expectations; they want high quality and low price; you get what you pay for.</p>
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“China still employs children, pollutes their rivers and air, exploits their workers, steals technology, manipulates their currency, and restricts other nations from importing certain goods into China. We unfortunately owe a lot of money to China so our politicians will not do anything about this unlevel playing field.”
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“They have no concerns about taking other peoples' technology and even screwing their foreign partners. This is very scary.”
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“Unless you are very experienced in dealing with the PRC, you are better dealing through ROC intermediaries.”
- 

“I do not trust the Chinese, and most top-tier OEM's in the US don't either. Unless you spend a fortune, and have a team inserted in China, it is very likely you will experience crap product and terrible QC buying from them.”

Question 4	Responses
<p><i>What changes would you like to see regarding the way the Chinese operate with respect to the rest of the world?</i></p>	<ol style="list-style-type: none"> 1. Open access to their home market; equal trade; level playing field; allowing foreigners to operate in business in the PRC on the same terms; transparency; desist from supporting PRC commercial enterprises through improper subsidies or other covert means; China should be a signatory to all international laws 2. Legal/contract reform; more regulations surrounding IP 3. Universal human rights; livable wage

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“There is little training in most factories. Foreigners should understand that if they want good products, they should have the best relations with factory bosses and not always negotiate impossibly low prices. They should give the time to make good products. Rushing is never good. Losing face is a near tragedy for Chinese people; so we must be careful in regard to that. Learning some Chinese words is a must of course. If you operate a Joint Venture, teach English to the employees who volunteer. Reward those who do a good job.”

- ③ “The Chinese are a people of discipline, they are hard workers. The rest of the world should be careful not to transfer all that new technology so easily. We should be more humble, be smarter, see into the future, not only what we can see now; money isn’t everything.”

Question 5: *Do you feel there are specific pieces of information that you would need to understand the opportunities here more completely?*

Responses here are interesting, but a bit hard to categorize. They include:

- ③ “Knowing the languages obviously, but also, how do they see the western green movement, specifically the cradle to cradle approach to manufacturing? Do they generally see it as a passing trend, or the new way of doing business?”
- ③ “How to navigate in a mutually beneficial manner. Not to be overpowered by such extremely low purchase price demands.”
- ③ “I would like more information about is the track record of the foreign firms in China. What went wrong? Why? Is there anything that could be done to prevent it?”
- ③ “The question seems to be for foreigners - how badly are you willing to be screwed?”
- ③ “We should be more like the Chinese: meditate a little before jumping into the water.”

Analysis and Conclusion

Obviously, there are two main currents running through the results here. First, it's clear that respondents are acutely aware of and excited about the business potential that China represents generally. The majority of participants are very interested in the prospects of entering large markets that seem to be expanding without limit. And in addition to the obvious business benefits to be realized, there are social benefits as well, as growth in clean energy is good for everyone, regardless of its source.

To a great degree this enthusiasm is fueled by the lethargy that respondents perceive in the US. “China is where the real money and the real action is,” someone told me recently. “While the US is sitting around, sliding downhill, the Chinese are becoming world leaders.”



However, respondents express a great number of different and very serious concerns. For all the upside potential that China represents, respondents see a great deal of practical limitation: poor quality; issues with communication and cross-cultural understanding, and

customs that make conflict resolution quite difficult and intellectual property hard to protect.





Apparently, a large part of the issue is contract law. A representative from a trade association whose purpose is forwarding Chinese energy technologies told me at a recent conference, "Yes, there are cultural issues regarding honesty. But Chinese contract law is also very different than what we're used to here. In a nutshell, contracts are simply unenforceable."

Another frequent visitor to China pointed out, "Do Chinese deal with Americans fairly? Perhaps not. But we have our own issues in dealing with foreigners here, too."

And this is more than a practical issue. Although there wasn't a single question in the survey that provoked this type of thinking, many volunteered moral issues. During the course of conducting the survey, several people wrote in and amplified what they had written in the questionnaire:

-  "Why aren't you asking about sustainability or human rights?"
-  "Americans want to make money, and are unconcerned about dealing with a culture that has no regard for the value of a human life."

So where will this all go, given this fairly complicated calculus? Let's look at a few ideas:

-  The Chinese government owns trillions of dollars worth of American debt, and thus the US feels it cannot take too hard a line on Chinese human rights issues.
-  At odds with most of the rest of the world, the US generally regards clean energy as a "nice to have" rather than a necessity.
-  As the 2012 elections in the US draw closer and voters continue to feel the pain of the recession, candidates need policy platforms that communicate an understanding of the business issues that exist between the Chinese and the Americans.
-  US entrepreneurs are champing at the bit to capitalize on the economic potential that China represents, but (as the reader can see from the discussion above) most are terrified at the prospect of trusting Chinese business people.

As a "citizen of the world," it's hard to disagree with those respondents who say: "If the US doesn't understand the value of clean energy, that's too bad, but we need to be cheering for any country that is making renewables happen." Yet as an American, I bow my head in shame and sadness at the fact that we have no energy policy, and no voice of centrist reason moving clean energy forward in a calm, fair, and reasoned way.

I'm reminded of the cartoon in which a scientist is presenting two equations, between which he's written: "Miracle occurs here." Apparently, that's what we need.

About 2GreenEnergy.com



2GreenEnergy.com helps clean energy business professionals, investors, and advocates "take good ideas forward," by offering a range of information products and consulting services. The database referred to in this report consists of subscribers to the free newsletter, available at: <http://2greenenergy.com/2greenenergy-alert/>

Craig Shields, the site's editor, is the author of [Renewable Energy — Facts and Fantasies](#), published by Clean Energy Press, 2010.

To contact Craig, visit <http://2GreenEnergy.com> and click "CONTACT."