



China Currents



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Challenge and Change in Chinese Export Controls and Industry Compliance

by Gary K. Bertsch



Questions have been raised over the years about the will and ability of China's governmental and industry actors to comply with national and multilateral trade regulations. More than ever before, Beijing has been responding to those questions, particularly in recent months and years. High ranking officials have vowed and—more importantly—taken actions to strengthen China's export control system and industry compliance.

My colleagues and I in the Center for International Trade and Security at the University of Georgia have conducted research on China's trade behavior in the area of dual-use technology (i.e. civilian and military) and military or arms related export controls for over a decade. More recently, we have been involved in co-sponsoring, organizing and participating in industry training and awareness programs in China. I have been actively involved in this research and activity, and have been traveling to China regularly in recent years. This article draws upon this

experience and shares observations related to China's progress in implementing domestic and multilateral export controls and in gaining the compliance of Chinese industry.

I will note at the outset that I am impressed by the recent seriousness of purpose and the response of certain governmental and industry actors with whom I have become well acquainted. Perhaps I should add that I have been researching what governments and industry have been doing to respond to the proliferation challenge through export controls over the last 25 years. My research has taken me throughout Europe and Asia. I have conducted research on the ground in over 40 countries including most of the members of the EU, the new independent states of the former Soviet Union, and much of Asia. What I am seeing in China today impresses me beyond what I have seen in most other countries.

At the same time, the effectiveness of the Chinese government and industry efforts and the extent of progress is difficult to judge in the short term. The threat of illicit exports is always there. Even developed countries like the United States—countries that take nonproliferation seriously and have had considerable experience with export controls—are regularly embarrassed by violations on their soil. Controlling illicit trade everywhere—including China and the United States--remains a work in progress.

So although we can expect violations of export controls in China and elsewhere, what we are looking for is progress in law, commitment, compliance, enforcement and prosecution. My research and experience in China suggests that considerable progress is being made.

China's Progress

The development of Chinese export controls under market socialism began in the mid-1990s. This resulted from the continuing opening and reform of the Chinese economy. If China was to participate in high tech and defense related trade, and take on international responsibilities to match its economic

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ambitions, it was becoming clearer to their officials that they would have to become more aware of and involved in international export control and compliance issues. They would also want to develop their own solid national export control system.

China promulgated formal export control regulations in 1995. More specific regulations followed regularly in subsequent years. Nuclear trade-related export control regulations were instituted in 1997 and 1998. The Chinese government issued its first set of arms export control regulations in 1997. In 2002, China promulgated a series of new or amended regulations covering a host of strategic commodities and technologies, including chemical, biological, missile and munitions. These regulations included controls that were reflective of the multilateral export control arrangements, such as the Nuclear Suppliers Group. Further, in 2004, the National People's Congress passed an amended Foreign Trade Law that under-girded China's domestic system of export controls and included a wider range of criminal and administrative penalties for violations.

These initial steps were promising but questions remained about the political will and commitment required to implement the new regulations. While implementation challenges continue, indications are that the Chinese government has worked conscientiously to implement its national control system in this decade. It has also sought to integrate China into multilateral export control regimes. China has now joined the Nuclear Suppliers Group and begun membership talks with the multilateral Missile Technology Control Regime, the Australia Group and the Wassenaar Arrangement.

During this decade, China has issued regular white papers on nonproliferation emphasizing the importance of export controls. It is my distinct impression that they are committed to seeing their ideas turned into practice. Clearly, high level officials have made the strategic choice to be part of the advanced industrial countries working to integrate the needs of both trade and security. The Chinese obviously want to continue to promote international commerce. They also realize that in order to do so, they must become more vigilant in controlling commerce that could jeopardize national and international security.

To balance and pursue these trade and security interests, the Chinese government began a series of outreach and training exercises for its Customs service and major strategic enterprises. It has instituted an electronic export licensing system. It is also now demanding that internal export control compliance systems be implemented in its export-oriented enterprises

Among the regulatory developments, the Ministry of Commerce (MOFCOM) issued Circular No. 548 in December 2005 on *Reform of the Administrative Approval System for the Import and Export of Sensitive Items and Technologies*. This circular commissioned China's provincial, municipal and other local entities to serve as the initial reviewers of export permit applications for dual-use goods and technologies. By year's end MOFCOM and GAC (General Customs Administration) issued the most comprehensive regulation to date, Order No. 29 on *Measures for the Administration on Import and Export Licenses for Dual-Use Items and Technologies*. These measures created a comprehensive national control list, expanded the scope of "catch-all" and transit/transshipment controls, and laid the foundation for broader coverage of technology transfers. These and other developments have convinced me that Chinese authorities are serious about export control and trying to integrate the concepts of trade and security.

The Chinese government took specific actions to strengthen Chinese export controls during this period. In July 2006, Notice No. 50 applied dual-use export licensing and clearance procedures to a list of

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graphite-related items with potential nuclear application. MOFCOM also released an updated *Dual-use Biological Agents and Related Equipment and Technologies Export Control List* that subjected new bio-related items to control. These new Chinese bio-related regulations reflected growing international concerns about the threat of bio-terrorism and developments within the related multilateral export control arrangement—the Australia Group. This provided further evidence that China was striving to be more in line with international standards and arrangements.

In August 2006, Chinese authorities established requirements related to specific civil aviation parts with potential missile dual-use application. In September 2006 they issued new regulations on the import and export of precursor chemicals. In December they promulgated and amended regulations on the control of nuclear exports, aligning themselves more closely with the multilateral Nuclear Suppliers Group. On the last day of 2006, the GAC and MOFCOM issued the latest version of China's control list. In 2007, China continued its regulatory enhancement efforts by amending and strengthening its controls on nuclear dual-use items and technologies, and issues another update to its national dual-use control list.

To complement its regulatory efforts, China has expanded its industry outreach initiatives. Numerous workshops, seminars and conferences have been organized and implemented in various industry sectors throughout many regions of the country. This training and outreach is increasingly offered in China's provinces and localities, not just in major centers like Beijing and Shanghai. Increasing information about export controls, in both Chinese and English, is being made available on Chinese government agency websites. Public information and industry awareness is critical to regulatory compliance. The Chinese are now making significant efforts to keep relevant industries and exporters informed. To lay a foundation for the promotion of industry compliance, the Chinese Ministry of Commerce issued guidance on the development internal export control programs for Chinese industry in August 2007.

Despite the increase in industry export control outreach, numerous Chinese companies have been sanctioned in this decade by the United States government for not abiding by U.S. law and international norms relating to trade and security. While these relate to a diverse and complicated set of cases and issues, it is not entirely surprising that this was the case. Among other things, it is clear that Chinese search for markets and trade was aggressive. The growing level of commerce pushed the limits in various areas and was bound to run afoul of U.S. hope and expectations in various areas. Looking at both the evolving political and security environment, the imposition of U. S. sanctions was not surprising. What will be of significance is what was and is being done by firms that were sanctioned.

Let me describe my personal experience and observations with one of these companies--China North Industries Corporation. NORINCO is the import/export marketing company under one of China's top state-owned defense holding companies, China North Industries Group Corporation (CNGC). Research and manufacturing companies under CNGC produce both civilian and military items, including arms, machinery, optical-electronic products, oil field equipment, chemicals, and light industrial products. CNGC operates over 150 large and medium sized companies employing approximately 800,000 people.

In the early part of this decade, the NORINCO division of CNGC was the subject of several government sanctions. The first sanctions were imposed in 2003 for exports that "could assist the Iranian missile program." Few details were provided by U.S. authorities, but they did raise the company's behavior as evidence that the Chinese export control system was still deficient. Beginning in 2004 and 2005, NORINCO officials decided to begin developing an internal compliance program. NORINCO's corporate leadership has issued a clear and unmistakable commitment to building a responsible corporate export control program. Both the corporate leadership and mid-officials have worked

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diligently to set up an effective internal compliance program, inform and educate their workforce about the program and the need for export controls.

NORINCO has made great deal of progress. No new sanctions have been imposed upon NORINCO in recent years.

The NORINCO experience is being closely watched, and followed, by other Chinese firms. Key enterprises among China's nuclear, aerospace, aviation, and electronics industries have taken note. It is my impression that an increasing number of large Chinese enterprises are recognizing that informed corporate officials, responsible export behavior, and an effective internal compliance program will be good for business. Rather than limiting exports, responsible export controls in line with international standards can be "trade enabling." Companies that have a responsible corporate culture and internal export control compliance program will be more likely to avoid sanctions and be competitive in more markets.

Yet much work remains to be done in China. Some of China's exporters are slow to recognize the need for compliance and the opportunities before them. Some feel that internal compliance programs are an unnecessary cost and unacceptable distraction and burden. Some believe that they can avoid the responsibilities and that the growing focus on industry compliance will blow over. Many of China's smaller and medium-sized companies remain in dire need of export control information, training and help in raising awareness to develop internal compliance programs. In addition, there are still deficiencies in the overall Chinese export control system. The current system remains without comprehensive controls on brokering activities, intangible technology transfers, and conventional dual-use items and technologies. China is not fully integrated into Missile Technology, Australia Group, and Wassenaar multilateral export control arrangements. So work remains to be done.

Clearly, Chinese compliance with national and international trade regulations remains a work in progress. However, my experience demonstrates that significant progress is being made in the area of export controls. This progress should not be ignored. It is real, should be recognized and lauded. It will have many benefits for China, the United States and the world. Among other things, export control development and compliance builds an environment allowing expanded trade and technological relations. Here in the United States, we often complain about the China-U.S. trade imbalance. If China develops effective export controls, the U.S. government will likely recognize this and develop greater confidence in Chinese trade behavior. This may lead to a relaxation in U.S. controls on high technology exports to China. For example, if U.S. authorities have confidence that U.S. high-tech exports will remain with recognized and responsible end-users, and will not be diverted to military related uses or to other states, the present U.S. restrictions are more likely to be relaxed. At a minimum, Chinese and U.S. authorities should continue to build on the areas of common interest in the nonproliferation area and the expanding strategic economic dialogue to explore avenues of increased cooperation in export control and compliance.

The opening, reform and development of the Chinese economy over the last thirty years is one of the most significant events on the world stage. Chinese willingness and ability to comply with evolving national and international regulations and norms will be one of the major factors affecting China's overall success over the next 30 years. My study and experience convinces me that the benefits of trade compliance in a global economy are significant. Some are already being realized in the U.S.-China commercial and other bilateral and multilateral trade relationships. Continued Chinese development in and commitment to nonproliferation, export controls and industry compliance will bring more benefits.

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China, the United States and the global community can increasingly find themselves in win-win situations. Continued progress in this field will support peace, prosperity and security in the 21st century.

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Restaurant Franchising in China

by Ilan Alon

Restaurant franchisors are China for obvious reasons: 1.3 billion people, 230 million middle class consumers (in 2005), the world's highest economic growth rate in the last 20 years, WTO membership, and recent franchise and contract laws. McDonald's, KFC, Burger King, Gold's Gym, Papa John's and other have already set up shop. And opportunities are not only in the restaurant sector. Across all the different service industries in China, which typically use franchising, growth abounds (real estate, retailing, hotels, etc.).

There is a dark side, however, to franchising in China. Franchising regulations have changed multiple times, creating an unstable environment for franchising contracts to proliferate. The new regulations require a franchisor to open some franchises and operate them before being able to sell franchise rights, for example.

Secondly, the Chinese market is still not culturally used to franchising governance, not to mention a lack of resolve to protect intellectual property rights. Franchising requires a high degree of trust, legal protections, and recourse. Thus, one way to succeed in the Chinese market is to enter one of the major cities using company-owned outlets. In this way, the franchisor can gain familiarity with the cultural, economic and legal environments. Gaining an understanding of the nuances of the local market can help a company assess the potential. This is what most of the large multinational chains, such as McDonald's, KFC and Yum, have done.

In China, today, many of the global franchising companies have a very small percentage of their total outlets franchised; while others, such as Kodak, have used it extensively even though they don't use franchising in their home market. Kodak, for example, wanted to create channels of distribution for its film and, thus, developed a quasi-franchising film-development retail model for Kodak Express in China, relying on the promise of franchisees to buy paper and equipment from Kodak. Royalties, per se, were not charged.

For those interested in the China market, Shanghai is an excellent entry point because the government has nurtured Shanghai as a magnet for economic growth. In addition, the per capita income in Shanghai is over \$11,000 in purchasing power parity (Kwan, 2002), among the highest in mainland China. Shanghai offers numerous economic incentives, an increasingly westernized population, and a large numbers of tourists and expatriates. Shanghai is truly one of China's top mega-cities.

There is reason for caution, however. While legal reforms have taken place, laws still seem archaic and sporadically enforced. And there remains insufficient protection for copyright, trademark and intellectual property. Add the language barrier, the cultural distance between the West and China, and the fact that many Western brands are unknown in China, and it's clear that Shanghai is a challenging opportunity to be considered carefully.



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Franchising is a niche strategy that works in various locations around the globe. It is essentially a contractual relationship between a franchisee and a franchisor trading rights and obligations. The franchisee has the right to markets the brand and/or process of a franchisor in return for a fee and ongoing royalties. In the case of business format franchising, the franchisor transfers both the know-how and the brand of the business, and often provides additional support. As firms internationalize, they face differences in the operating environments, economics, politics and culture. Successful international franchising rests on the ability to transplant strategy that was successful in the home country.

In Shanghai, the fundamentals of successful restaurant franchising are similar to those in the west: consumers want flavorful food, delivered quickly and efficiently in a clean, pleasant environment at an affordable price. One recent survey of people in Shanghai conducted by the author revealed that consumers rated taste, service, atmosphere, price and brand name in declining order of importance when selecting a restaurant.

Given the cultural, social, political and infrastructure differences in Shanghai, complete standardization is unlikely. The key is to assess what adaptation will be necessary.

Product - The product includes the novelty, service, atmospherics, and overall experience that the restaurant provides. Traditional domestic restaurants are not direct competitors. Franchisors may be more successful by emphasizing the westernness of their products, making standardization viable. Of course, minor modifications will be required to adapt to local tastes. For example, Starbucks in Shanghai offers a sausage Danish while McDonald's serves seafood soup.

Promotion - Adaptation will depend largely on the product strategy. Standardized products make a standardized message possible, while different products mean different messages. Pizza Hut, for example, localized its business by decorating with large red "Double Happiness" signs, decorative firecrackers, traditional poetic couplets and the traditional Chinese character Fu (fortune); changing the design of the red roof to a Chinese feather calligraphy brush willed with red; offering a customized "Xinyi" (goodwill) pizza from the Chinese New Year to the Lantern Festival.

Pricing - First-time visitors to Shanghai are amazed at the low prices of locally-made goods. International franchisors need not use local restaurant prices for reference. As long as the product is of high quality, and presents a new concept of consumption, a higher price will signal quality and credibility. But remember that average income is substantially lower than in the West. Effective strategy might include portioning some products in sizes that can be purchased at very low price points. Both McDonald's and KFC ran 1 Yuan (about 12 cents) ice cream specials to entice customers into the store.

Distribution - Three location strategies seem viable.

- Downtown - The commercial and cultural center, it boasts the greatest variety of restaurants. But high rents have restricted growth. Only 2,100 of over 29,000 restaurants are located in Xuhui and Jing-an, the busiest sections and the center of the downtown area. Foreign restaurants are concentrated in Huaihai Lu, Maoming, Nan Lu and Henshan Lu -- streets of the French Quarter in old Shanghai.
- Special Economic Zones - Pudong, a financial center and the site of many multinational corporations and government offices, has 2,700 restaurants. Substantial residential construction is also underway. Hongqiao, west of Shanghai boasts over 1,300 restaurants and is a favorite of expatriates and foreign investors.

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- Upscale Residential - About 2 million people have moved to suburban residential areas, made possible by numerous infrastructure projects that have increased the commutability of city workers.

Target Markets - Three segments represent attractive targets for international restaurant franchisors.

- *Foreigners and Expatriates* - Short and long-term expatriates, visitors and tourists have relatively high income, and a willingness to pay a premium for familiar food with consistent quality. Continued foreign investment will result in a growing expatriate population as well as an increase in tourism.
- *Business People and Young Professionals* - Includes educated professionals in the 25-50 age group. They are likely to be the most receptive to new ideas, value the foreign dining experience, and possess sufficient discretionary income.
- *Young Emperors* - Preschool through college-age children. There are an estimated 1.25 million one-child families in Shanghai. Young Emperors command the attention of the extended family and have a substantial influence on family buying decisions. A foreign restaurant that attracts these children will attract their parents and extended family as well.

Restaurant franchisors that miss the opportunity to enter China now will face intense competition from early entrants. It will be difficult for restaurant franchisors entering now to beat the scale and profitability of the already entrenched McDonald's and KFC. Nonetheless, the market is vast and great potential exists in many niches.

Despite the potential, doing business in China is difficult. The language and culture are remarkably distinct. Franchisors should seek local partners who can help them navigate the local business environment. A partner in the same industry with channels of distribution, industrial connections, and *guanxi* (personal connections) can greatly facilitate the success of the franchisor.

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Nuclear Power in China: Faster Than Planned

by Kyle Miliken

China's nuclear power expansion "faster than planned"-Xinhua News Agency

Nowhere is the resurgence of nuclear energy as evident as it is in China. The country is buying nearly every power plant design available in the world and building them as fast as it can. With neither the complex legal process required for licensing nor citizens who stand in the way, the process of approval for power plants avoids the intricate maze of legalities common in the U.S. As shown in Figure 1, China plans to add 100 billion kilowatts by 2020, increasing its nuclear energy capacity fivefold in the next 12 years.¹ Despite this fivefold increase in capacity the total percentage of electrical power from Nuclear power will only double, from 2% to 4% by 2020 as China is also building more coal, oil and gas plants to meet the increased demand for power. So, while the U.S. struggles with the idea of building another nuclear plant, China has been, is and will continue to connect two new reactors to the power grid each year for the foreseeable future.

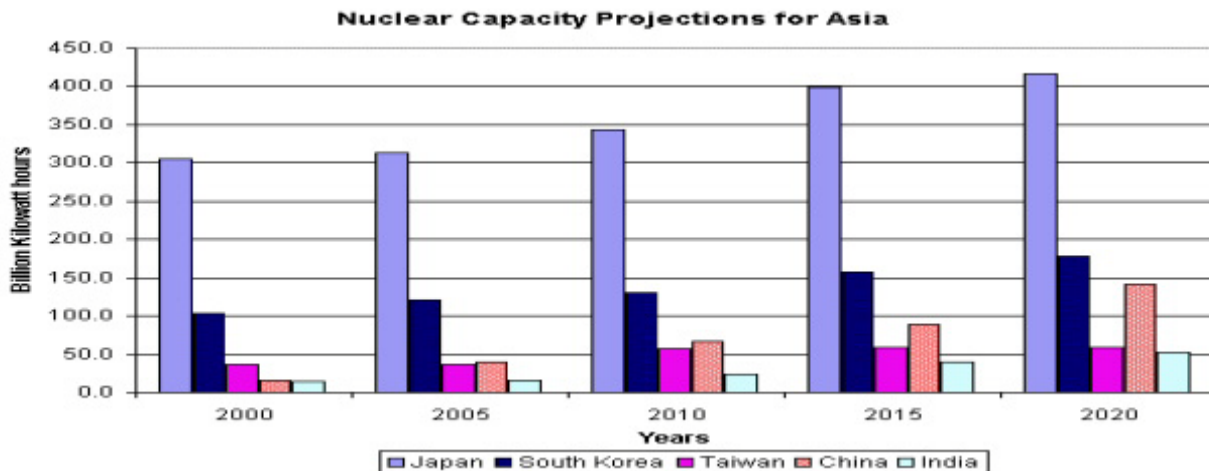


Figure 1

In China nuclear power answers both the demand for power and the desire to provide it from a clean, reliable source. On the environmental side China is choosing to develop nuclear fuel reprocessing plants that will allow the reactor fuel to be reused 3 to 5 times. In the U.S., due largely to transportation concerns, nuclear fuel is used once and then stored as waste at the reactor site. Additionally with as much as 80%³ of China's current electrical production coming from fossil fuels (mainly coal) and already a net importer of oil, nuclear energy is seen as both a means of reducing the dependency on foreign oil imports and a means to reduce the use of low quality, high polluting domestic coal for power generation.

To meet the growth in nuclear power in China the best and the brightest from Chinese universities are drawn to the industry. The demand for engineers and technical managers is staggering and the demand to provide every aspect of the nuclear power plant from environmental and geological studies of the sites

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before groundbreaking, to operational maintenance to safety-related modifications to keep it going is more than the Chinese economy alone can provide. All of these services, therefore, are being contracted out to the world to provide.

Who is bidding? The suppliers are everyone from traditional U.S. multinational companies such as Westinghouse to companies like Guangdong Jinli Electrical Appliance Company Limited. Westinghouse got into the China market early by selling nuclear designs and offering technical assistance for its nuclear products such as reactors, steam generators and turbines through technology transfer agreements. Guangdong Jinli Electrical Appliance Company Limited began as a contract manufacturer for an American electrical component maker. They now make and sell products, like light switches, directly to the consumer. Switches, light bulbs and thousands of other equally mundane items that go in to building a nuclear power plant are now made in places like Guangdong. Through joint ventures, partnerships, wholly owned foreign enterprises and local companies, these components are a mixture of domestic Chinese products and manufacturing that was outsourced to China from abroad.

ENERCON Services has begun several major projects with their Chinese nuclear energy counterparts, having been awarded two projects for emergency core cooling systems valued at more than \$2.3 million dollars in China in 2007 and 2008. In the course of conducting these projects, ENERCON was approached by both the Chinese utility company and the Chinese state owned engineering institute for additional engineering support on unrelated nuclear safety issues. As a result, ENERCON, like many companies, began to consider how to do business in China on a permanent basis. What ENERCON found was a number of very fundamental differences in the business environment. Some of the significant differences involve intellectual property rights, increased human capital costs, and cultural dimensions.

Intellectual Property Rights

In the Chinese nuclear industry, unlike normal manufacturing or production where the concern is intellectual property theft, “localizing” – or transferring the knowledge base to China – is a government-mandated goal. Chinese nuclear power plants are derivatives of Westinghouse and other western manufactures designs sold internationally in the 1990s and have the same design issues and concerns as the U.S. plants. But the Chinese do not want dependency on foreign experts for their nuclear power generation any more than they want dependency on foreign oil for their economy. As such, each plant that breaks ground becomes another step toward localizing the design, engineering, manufacturing and qualification of the parts, pieces and systems that make up a nuclear power plant. Qinshan Nuclear Power Plant, phase II Unit 1 in Hiayan, Zhejiang Province China which came online in 2002 was the first Chinese nuclear power plant to be more than 50% localized. In March of 2008 the newest plant to break ground in China, located in Fujian Province will be more than 85% localized. The goal, a design and a program the Chinese refer to as CPR1000. A 1000 megawatt nuclear power plant that, though a derivative of a Westinghouse, design will be 100% Chinese design, construction and locally manufactured parts.

ENERCON’s part in localizing becomes selling designs for emergency core cooling systems that will be taken over by the Chinese for duplication in future plants. Suddenly faced with selling not only your design, but the rights to copy it, companies like ENERCON have to ask “How long will it be before a Chinese nuclear engineer or manufacturing company shows up at the door step of a U.S. nuclear power plant with our product?” For ENERCON this question meant that they had to go back and redefine what their products are. For ENERCON it meant a new way of thinking--the results, the engineering

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calculations, the design drawn on the pages are not the focus of the product that is being offered in China. Although ENERCON is still offering results, calculations and drawings, it is the methodologies, the creativity and problem solving ability that is the true product of ENERCON's China marketing plan. Creativity, by its very nature, can be learned but it can't be copied. The ability to solve problems is the product ENERCON will continue to sell in China in the future.

Human Capital

By sending a team of engineers and technical managers to China for project kick-off meetings and periodic status update conferences on the projects, ENERCON started off its China business with the "Flying Squad" method of staffing. The "Flying Squad" is a small group of individuals who travel back and forth to China meeting the demands of the business and customer. Generally a blend of Management level and Technical Experts who are able to simultaneously adapt to both the cultural changes as well as contend with jet lag, the "Flying Squad" is not so much a business response but a highly orchestrated effort involving cultural training, family awareness, planning and ultimately support at all levels. For all the obvious reasons, both the costs and the burn-out rate for these flying "road warriors" is very high. On one recent trip to China ENERCON took a team of managers and engineers on a 12-day series of meetings. To accomplish the meetings the six man team spent more than 250 man-hours sitting on airplanes, used 3 limo's 2 buses and a dozen taxi's to travel to and from various hotels and meetings in Beijing, Shanghai, Shenzhen and Hong Kong. The team's total labor and travel cost for the 12 days was over \$125,000, which would exceed the normally expected profit on projects of this size. For ENERCON it's not just a matter of costs and profit, it's the investment in the relationships they are creating in their travels. But being available to the customer has some additional costs. The 12 hour time difference between the east coast of the U.S. and the east coast of China means getting calls from customers literally around the clock no matter where you are. Once you finally returning home, trying to "catch up" on emails and correspondence while re-adjusting to the local time is a struggle. As one Atlanta-based Manager put it, "The only good thing about flying back and forth to China so much is that flying from Atlanta to California no longer seems long."

Faced with astronomical travel costs and with a growing demand for work in China, ENERCON asked-why not just set up a couple key managers to live and work in China and have them direct the enterprise as expats from there? Expats are generally male (82%) between 30 and 49 (60%) and married (65%)⁴ and usually represent one of two categories of the organizational structure. Expats are usually either a senior level manager or a technical expert sent with their families on "tours" or "assignments" abroad for three to five years. Typical costs for expats can range from three to five times their domestic U.S. costs. Unfortunately, expat failure is more common than success. Whether the failure is defined as the expat's inability to achieve the business goals they were sent abroad to accomplish or for one reason or another the expat decided to come home early, estimates of the failure rate range from 45 to 75%⁵. For ENERCON this means that although expats might be slightly cheaper per productive hour than a "Flying Squad," the risks are no less significant.

Cultural Dimensions

While ENERCON has found their Chinese national nuclear engineering and technical management counterparts to be enthusiastic and diligent, the "depth of experience" becomes a defining factor in the work. In the U.S. it is often still possible for ENERCON to tap into the original team of engineers who, 30 years ago designed and developed these plants in the first place. Bringing in this level of senior talent for particularly difficult problems, even the youngest engineer at ENERCON can turn to a "grey beard"

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who may have been on the original design team or at least has seen the problem before and ask the question “what were you thinking?” or “why did you do that?” This accessibility to not only relevant to the plans and designs but also the considerations, rationales and often most importantly, the ideas that were rejected is an advantage. This depth of knowledge allows U.S. engineers a clearer picture of the problems and the solutions. In China, this is like the difference between the woman who gives birth to a child and the man who reads about it. China has purchased plans and services from the world and the local engineers study them in meticulous detail, but the reluctance to make changes to the plans sometimes become as big an obstacle to work through as resolving the problems in the first place. It was recognition of the cultural differences that motivated ENERCON to reconsider exactly what they are selling in China. The product for sale is not drawings or design, but the means to create and accomplish them.

Conclusion

The demand for power in China is relentless. Building new plants as fast as they can, the Chinese are looking to nuclear power to provide the clean, reliable and safe energy that will sustain the Chinese economic engine. In a methodical, step by step progression that sometimes seems to go hand in hand with the Chinese culture, the Chinese are “localizing” the design, engineering and manufacturing of the nuclear products required to build and operate the plants safely. Drawing resources from around the world, companies both large and small are struggling with the ideas of supporting the work there. The burn out rate of the “flying squad” or the failure rates of expats make the work at a distance both expensive and difficult but there are rewards. No new plants have been built in the U.S. and gone into operation in almost 30 years but there are now a young American engineers, fresh out of school and recently hired who are not only learning to work the nuclear world, they are learning to work in one that has gone global as well. The experiences they are gaining by working on the new construction in China will make them the “go to” problem solvers for the next 30 years.

Kyle Milliken is a Project Manager at ENERCON Services, a Tulsa, Oklahoma based, employee owned service company that focuses on engineering, design and project management in the nuclear power industry. Learn more at the ENERCON website (<http://www.enercon.com>).

Events

Events

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Reservations requested by Wednesday, July 23rd. Includes lunch and materials.

Registration: RSVP by email: michael.filchock@suntrust.com, by Wednesday July 23, 2008.

Registration fee payable at the door, includes lunch and materials. Make check made payable to

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China: History and Society with Dr. Kenneth Pomeranz



The China Research Center is proud to begin its annual event series with a special presentation given by Dr. Kenneth Pomeranz, UCI Chancellor's Professor of History at University of California, Irvine. Dr. Pomeranz will lecture on China at the High Museum on **Wednesday, October 15th at 7:00 p.m.**

The well-known author of *The Great Divergence: China, Europe, and the Making of the Modern World Economy* (Princeton University Press, 2000) will discuss his recent work on China's state, society and economy.

This event will be co-hosted by the High Museum of Art in conjunction with their fall exhibition, *The First Emperor: China's Terracotta Army*

Center News

Alex Miller joins the Center as an Intern



Alex Miller

The Center is pleased to announce that Alex Miller has joined the Center as an intern this summer. Alex has just finished his junior year at Temple University in Pennsylvania majoring in history and criminal justice, with a minor in Asian Studies. Alex’s interest in China stems from studying history. As he puts it, “From the dynasties of the Ancient Era to the modern day, China has always been a dynamic and influential culture. Today this trend continues, making the study of China even more appealing.” By learning Mandarin Chinese and eventually studying abroad, Alex hopes to gain a more holistic view of China's history, present and future. He would like to work in business related to China after he graduates next year.

Kennesaw State University to host Confucius Institute

Building on more than a decade of partnerships with the People's Republic of China, Kennesaw State University has been selected as one of the newest sites in the United States designed as a Confucius Institute. Kennesaw State becomes the second university in Georgia to establish a Confucius Institute and one of the latest in a growing international network of affiliated institutes, with 42 located in the U.S.

KSU's institute will operate under an agreement between the university and Yangzhou University in China's Jiangsu Province. It will offer a range of academic and professional development programs for students, employees and executives of local and regional businesses, schools and community residents. The offerings will include credit and non-credit courses, workshops and seminars covering Chinese language, healing and martial arts, painting, calligraphy, cooking, economy, social development and business.

The institute will be located on the KSU campus.

China Research Center is Qualified as Section 501(c)(3) Tax-Exempt Non-profit Organization

The Center is pleased to announce that the IRS has granted the Center tax-exempt status for Federal Income tax under Section 501(c)(3) of the Internal Revenue Code. Contributions to the Center are therefore now tax deductible for the donors. This qualification provides an additional incentive for people to donate to the Center and will boost the Center’s fund raising opportunities. We gratefully acknowledge the assistance of [Guanming Fang and Womble, Carlyle, Sandridge and Rice, PLLC](#) in achieving this goal.

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We are actively seeking corporate sponsors for 2009 and beyond. Please contact the Center's Director, Penelope Prime, at 678-547-6235, or any of our Associates or Advisory Board members for further information.