

# Successful forays into China's ICT

by Pat English

The ICT sector in China is large and complex, covering a wide range of products.

The overall industry and its sub-sectors are enormous and China is universally considered the manufacturing hub for most of the world's electronics. Chinese companies such as Huawei and ZTE are global players and present opportunities and challenges for New Zealand companies.

There has been considerable growth in sales of specialised software and telecommunications technologies from New Zealand to China aided by increasingly strong connections built through business missions and company activity.

China's ICT market does have a number of defining attributes that make it difficult to enter and succeed in.

Constraints companies face include issues of language and culture; the size of the China domestic market; the amount being invested into ICT, especially in telecommunications; the highly regulated nature of the China domestic market; and, the high cost of market entry.

However, there are opportunities for New Zealand telecom and ICT companies and sub-sectors to focus on including component suppliers, software solution developers, value-added service and mobile application providers in both niche and in some mass markets.

China is the world's fourth largest IT market by spend after the US, Japan and Germany and the value of the Chinese software market is forecast to reach US\$12.9 billion in 2011.

As of May 2011, China had 889 million mobile phone subscribers, 303 million of which are mobile internet users.

Smartphone sales reached 62 million units by the end of 2010 and are expected to reach 95 million by the end of 2011. The GPS market in China is growing as a stand-alone product and alongside the development of aviation, ground and marine transport.

Portable Navigation Devices (PNDs) have



NZICT Group's Bennett Medary and NZTE'S Pat English do the China business.

taken the greatest share (42 per cent) of China's GPS market, with its market scale reaching US\$ 3.2 billion.

A second ICT mission to China, which was organised by NZTE and which involved Trade Minister Tim Groser, took place in August, building on the inaugural mission led by ICT Minister Steven Joyce in 2010.

The delegates had excellent sessions with China Telecom, China Unicom, China Mobile, the Chinese Ministry's regional offices, Huawei, Alibaba (which is a quasi-Asian TradeMe focused on creating millions of

"micro-businesses"), the provincial investment authorities and similar organisations in Hong Kong, including their Cyberport facility.

The trip demonstrated just how important it is for New Zealand businesses to present themselves as a unified industry and a cluster of world-class innovators, especially when approaching huge offshore markets like China.

A number of tangible and qualified opportunities will be pursued as a result of this trip. Pat English is NZTE Trade Commissioner in Guangzhou

## Mission proves an eye-opener

Whenever people talk about dramatically growing export revenues the conversation quickly turns to China. It's all about scale and "acceleration".

This is no different when we talk more specifically about ICT and technology. I recently spent 10 days with the New Zealand ICT trade mission to China and Hong Kong. All the NZ companies involved — Catalyst, Datacom, Open Cloud, Pingar, Rakon, Tomizone and Pacific Fibre — deemed the trip a great success.

Already there has been a positive outcome in the form of potential investment in Pacific Fibre. We are now working together on establishing permanent links between the Chinese provinces and the NZ ICT industry so that opportunities can be developed between specific trade visits.

A Chinese delegation from Huawei will visit this year to explore opportunities to provide product to NZ and to assess complimentary niche NZ made solutions for China and beyond. Of practical interest for those considering the Asian market was our visit to Cyberport.

Owned by the Hong Kong SAR Government, this presents a highly subsidised and attractive opportunity for Kiwi companies to set up a launching pad in HK and to build up their networks before committing to mainland China.

One of the delegates from our trip has already set up an office there and plans to establish their presence in China in early 2012.

— by Bennett Medary, chair of the NZICT Group.