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newsdesk

**Chinese Trade a Money Loser for Some**

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The majority of multinational companies that have opened operations in China are losing money there, according to research conducted by the Global Business Center at the **University of New Haven**. Profits have been concentrated in the hands of a few companies that basically do not face competition from local companies, such as those in the fast-food sector.

Five US companies account for a disproportionate share of profits earned in China: General Motors, Ford, and Chrysler combined for about \$500 million in profits in 2003, followed by Yum Brands (owner of KFC with 1200 restaurants in China) with about \$200 million in profits, and McDonald's, also with \$200 million in profits.

Total earnings in China for US foreign affiliates, including all sources of profits, licensing, and royalties was \$8.2 billion. Despite the big number from China, the foreign affiliates of US companies earned \$7.1 billion in Australia, with 19 million people, \$8.9 billion in Taiwan and South Korea with a combined population of 70 million, and \$14.3 billion in Mexico with 95 million people.

The big problem is that the Chinese government requires technology transfer as a condition. Companies can't get in unless they give up their technology and get into a joint venture with a local partner. As a result, American companies can lose their core technologies.

US companies often set up operations in China with the intent of selling into China's massive market. But that doesn't happen. US firms end up exporting back into the world market, because the Chinese market proved a mirage. The Chinese market has systematically been exaggerated. The people are generally poor, therefore products have to be modified and prices reduced. Company research indicates that for the US manufacturer, in two or three years, there are ripoffs, and when they start competing on price alone, and the margins become razor thin, they can no longer get any profits back.

The majority of multinational companies that have opened operations in China are losing money there. Profits have been concentrated in the hands of a few companies that basically do not face competition from local companies, such as those in the fast-food sector. The big problem is that the Chinese government requires technology transfer as a condition. Companies cannot get in unless they give up their technology and get into a joint venture with a local partner. As a result, American companies can lose their core technologies.

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