

Warning to NZ: Keep technology secrets safe from China

By [Tamsyn Parker](#)

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Usha Haley. Photo / Supplied

An American expert in trading with China says New Zealand needs to protect its unique technologies and industries or it could permanently lose them to Chinese buyers.

Professor Usha Haley, who has emigrated to New Zealand to join Massey University's business school, said New Zealand needed to tread carefully in its bid to do business with the economic giant.

Haley has just come from Harvard Kennedy School in the United States where she studied the growth of Chinese businesses in the steel, glass, paper and forestry industries.

In five years China moved from being a small player to some of the largest exporters in those industries.

Haley said China's strength was always touted as being its cheap labour force. But the industries it had become strong in were capital-intensive and labour was only a small part.

At the same time raw material costs had skyrocketed and energy costs such as oil and electricity had also risen.

"I wanted to see where the advantage lay. It didn't lie in efficiencies – many of the companies involved were small and didn't enjoy economies of scale."

Haley isolated large subsidies from the Chinese Government as the driving force. China was flush with capital – it was a form of state capitalism.

The subsidies were not good for the global economy because of the assumption that the most efficient businesses will become the dominant players.

"Free trade works on assumptions and in China this doesn't happen."

Chinese companies were heavily subsidised and had thin margins. They did not need to make a profit because they were propped up by the Government.

In a free trade environment developed countries saw it as imperative to grow their economies.

But China was a developing nation and saw its political growth being just as important as economic growth.

In the United States some smaller industries had been wiped out after growing Chinese trade and what had caused ripples in the US could cause a tsunami in New Zealand, she warned.

Haley said New Zealand needed to consider how important its industries were to the economy and the national identity.

It didn't mean New Zealand should stop doing business with China but caution was needed.

"New Zealand needs to wall off its critical technologies and understand the risks before proceeding."

Haley said New Zealand needed to act quickly.

"One thing about the Chinese is that they move very fast. That is one of their strengths."

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