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Business Development in the Far East - China an opportunity to join

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The change taking place in China and Asian countries is an opportunity. Over the years, we have become accustomed working with suppliers from Asia in all areas of high-tech, especially in manufacturing. KAL also has customers in the Far East: in China, in Taiwan and in Japan, but in the recent years, all the Asian countries started to change, especially China.

The largest country in Asia: China, began developing its own products under independent brands. No more replicas, no more adopting technology from the West or from Japan and Taiwan. China began to develop technology and high-tech products for the local market, and after that, they began to develop hi-tech products for the international market. In the past we have not seen Chinese brands at the Western markets, today Chinese companies are marketing high-quality brands under the same brand as done for the domestic Chinese market.

China's transformation comes by direction and funding from Beijing. The Chinese central leadership has allocated a great amount of resources for local development and acquisition of IP in order to legally assimilate it in China. Recently, the state has allocated tens of billions RMB for local development projects. It is clear that this has created thousands of jobs in development, and China has begun to develop technologies, hardware and software in all fields. The Chinese who want to market the products outside of China are developing legally in a way that enable them to market to Western countries.

The Chinese have undergone two main changes in recent years: the first beyond self-development instead of copying products; The second, which is still taking place, is the transition from the development of simple, low-cost products to high-end products. Therefore, the Chinese are trying to close the gap of learning and developing technology in areas that have no experience such as analog chipsets, RF, sensors, developing products for the automotive industry, and so on.

This situation is not similar to the countries of the region: Taiwan, Japan, India, Hong Kong, Korea and Singapore.

Unlike the other Asian countries, China lacks technological know-how. In Taiwan, Japan and Korea, this knowledge is well established. Despite the fact that all Asian countries are adapting to the new situation, since they all sell products, knowledge and services to China.

Hong Kong receives development budgets from Beijing, has begun encouraging high-tech companies to establish development centers due to their Internet infrastructure, location and tax model. Hong Kong has no high-tech reputation, but engineers from Hong Kong have many advantages, including international culture capability, Western understanding, and a more stable mentality (especially compared to China and Taiwan). Hong Kong is therefore an ideal location for a development center and business centers for high-tech companies. In addition, the island's geographic location, makes it possible

to reach the client for a meeting and sleep back home in Hong Kong. The Hong Kong country allows tax models for companies and geographically it is close to China by train.

Taiwan develop its own technology and also provides services to China, has begun to undergo a change following China. Taiwan, which understood the change in China, began to invest in the development of local technology-intensive products and services, but their production was transferred to China in order to reduce production cost. Over the years, Taiwan have been engaged in copying products in line with the demand of China but the focus has changed to independent product development already and mainly under Taiwanese brand names.

China has realized that it has good engineers but creativity and innovation are not in the DNA of the nation. Therefore, Beijing tries to focus for innovation not only in China mainland but also in Hong Kong, a country where there is a clear innovation and international orientation culture. Same happens in Japan, lack of creativity hit the country and was highlighted by the fact that Japan's prime minister placed innovation as one of the country's goals.

We have a lot of business in Japan and after many meetings with Japanese hi-tech companies, I am very impressed with the process of development of technology products in Japan, a process that is different from the West, especially in light of the different concept of Japanese mentality. But this process leaves no room for innovation.

Japanese companies have understood this. Hence, the openness for technology and services that constitute a technological breakthrough and change. Japan is thirsty for new technology and innovation, for its growth and in order to become more competitive with the Asian countries in general, and with China in particular, which threatens Japan's place in the development and manufacture of advanced high-tech products.

Singapore, ranked as one of the world's most innovative countries for many years, country for sourcing of international trade. Singapore has established itself as a source for creation and planning of hi-end tech products. Never the less, Singapore focus on parts for hi-tech product such as silicon, but especially international trade for all Asian countries, especially neighborhood countries, which are a source of production and assembly for high-tech products.

India, which has established itself as a source of hardware and software development location, considerable itself as a resource for other high-tech products development location compare to other Asian countries, such as products for the military and automotive markets. India enjoys close proximity to the West as the relationship and communication with Western countries has been started long time ago. The Indian engineers who enjoy high work ethics and good English skills at attractive salaries have

already established themselves among many of the worldwide companies, and we at KAL, were using Indian engineers successfully too.

The change that is taking place in China affects the entire world, especially the Western world, and it is a challenge for many companies that develop technology-intensive products. The challenge is due to the low cost of development in China and especially the size of the Chinese market as a target market. In the not-too-distant past, high-tech companies were developing products for the Western market. The Asian market in general and China in particular were secondary markets. Today, China is the main target market for many products and the most prominent one is Apple's iPhone. Of course, the Chinese market has also changed from the perspective of free income per person, allowing the Chinese market to require high-tech products at an increasing price.

The new need in Asia presents a challenge but presents an opportunity to join.

About the author: Adi Katav, a graduate of the elite intelligence unit, holds a degree in electrical engineering from Ben-Gurion University and an marketing management master from the University of Derby. Adi Katav is a high-tech entrepreneur more than 15 years and the CEO of KAL Silicon Technologies.