

# Do's and Don'ts of Doing Business in China

by Johnson Choi



There is no one formula for doing business successfully overseas, including China. China is one country but not one market. Doing business overseas, including China, requires cultural knowledge, financial resources, time, and commitment.

I have been doing business in Asia, including China, since 1980. After 24 years, Southeast Asia, including China, continues to be a developing region and emerging market. It has presented both opportunities and challenges for American companies.

- If your product is not doing well domestically, DO NOT expect to use exporting to bail you out.
- DO find out what kind/type of product/service Chinese want through advance research.
- DO NOT expect any state or federal agencies to provide you with all the answers.
- DO talk to people willing to share with you their practical experiences in doing business in China.
- DO NOT expect to obtain information for free; when it is free, it is usually no good or useless.
- DO ask for references when you are paying a consultant for services.

- DO NOT forget to call the references and ask as if you were hiring an employee and more; the wrong consultant could bankrupt a small company.
- DO ask your consultant to share your risk.
- DO NOT pay your consultant a high up-front fee; consider a performance-based contract.
- DO join a trade mission with a state or federal agency if you are visiting China for the first time.
- DO NOT expect that any of the trade missions will give you a contract.
- DO read trade deals in the newspaper for reference only.
- DO NOT get too excited about trade deals in the newspaper as most of them are nothing more than MOUs (Memorandums of Understanding). It is a way for government officials to produce a good-to-know-you public relationship and to communicate it to the public.
- DO pay special attention when someone is being introduced as a “China expert” and knows all about China.
- DO NOT forget to find out about the “China expert,” how he/she claims to be a China expert who knows everything about China, every industry and every region. (There is no such person who knows

“everything” about China). Be very careful when you are asked to give out any of your trade contacts in Hawaii and in China to anyone, including public sector entities.

- DO work with China businesses to open doors for you, including meeting with government officials when needed.
- DO NOT use the 1980s business model expecting to bring government officials with you to open doors in China. Shaking hands with mayors or signing MOUs will not bring you any tangible business as hundreds of businesses in Hawaii have already found out.

The above information is not meant to be an exclusive list. Both you and your company must first determine your China strategy. We have frequent discussions with successful clients doing business in China on the success and failure of businesses in China. While normal business risk is acceptable, many businesses failed in China due to executives early on knowing China as a “fun” place and using the business to cover their hidden agenda.

