

Doing Business with China

By: Barry J. Sinnott

China in the 21st century is a vast land of potential opportunity, but when doing business with China it is important to keep abreast of the latest trends and developments to protect as best as possible ones interests and investments. The following include a few issues facing companies, both large and small, doing business with China.

CHINA CURRENCY REVALUATION

For years the China monetary unit, the RMB, was pegged to the US dollar at 8.28 RMB = 1 USD. There has been a global call, spearheaded by the US for China to release the peg, which many deemed was artificially low. A low RMB equaled high buying power for foreign currencies and therefore makes exports from China that much more attractive. In July of 2005, China abandoned this strict pegging and began to allow the RMB to float to an unspecified "basket of currencies." Observers suspect this includes, among others, the USD, the Euro, and the Japanese Yen. In the 18 months since the "unpegging", the RMB has gained about 5% to the USD. The effect of this has been to boost the cost of Chinese exports and lower the cost of Chinese imports. MFT expects the RMB to continue to gain against the USD throughout 2007 between 2%—4%. Interestingly enough, the RMB has only gained about 1.5% against the Euro in the same time period and so does not have the same affect on doing international business with China using the Euro as the currency of choice.

COMMODITIES MARKET VOLATILITY

In a quick 2 months of spring of 2006, the world price of copper shot up— it doubled in the US and increased by 2.5 times in China.

Some opined this was due to China building an extensive wire network to bring electricity to their inland and western provinces. Once the network is built (approximately 2 years), the price of copper should come down and stabilize in the world market. World prices of other commodities have been affected as well because of other areas of Chinese development. Astute businesses will keep their eye on the commodities market as it ebbs and flows according to China's demand.

US EXPORTS TO CHINA INCREASING

Through May 2006, US exports of goods to China increased 37% in a year period. This is due in part to the RMB revaluation as well as China's relatively new ability to be able to afford US products. US industries enjoying this gain include: telecommunications, semi-conductor, automotive and medical equipment. This trend looks to continue as the RMB will make gains against the USD throughout 2007.

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MV Showcase early discounts for exhibitor space, soon to expire

Applications for The Mohawk Valley Chamber of Commerce annual Showcase are being accepted. Take advantage of an early discounted rate. After January 15, 2007 the cost of exhibit space will increase.

This year's show is slated for **Thursday, April 19, 2007** at the Utica Memorial Auditorium. A broad range of exhibitors; featuring the best of business products; business services; travel and leisure. The best of Central New York businesses all under one roof.

Sponsorship opportunities are still available. This show will provide sponsors with the opportunities to market their product or service to thousands of potential customers from one central location. Considering the attention and publicity this highly -successful free show generates year after year, a sponsorship package at any level is a cost effective method for regional marketing.

For an application, please visit www.mvchamber.org. If you have questions or concerns or would like a sponsorship package sent to you, please feel free to contact the Chamber at 724-3151 or the show hotlines at 896-8504 or 794-1418.

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