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Canton Fair focus



A SPECIAL INTRA BUSINESS NETWORK SUPPLEMENT:
IBN NETWORKING RECEPTION, GUANGZHOU, CHINA, 18 OCTOBER 2006

"Building Global Business Partnerships For Africa..."

Message from the Chairperson



Over the past few years it has been an honour and a privilege to be able to witness the strides that IBN has taken. From a fledgling organization started by a few dedicated individuals to one which today enjoys a presence in 12 African countries and making its presence felt abroad with new members from as far afield as Portugal, Malaysia, Hong Kong and Pakistan.

While IBN has taken its 120 members on a journey with Annual Business Conferences in Johannesburg, Mombasa and Dar-es Salaam, nothing has signified the desire and drive to make IBN a truly global networking organization as powerfully as the recent IBN Networking Reception which was held on the 18 October 2006 in Guangzhou, China.

This event was a significant chapter in the IBN history as it was the first time that we have held an event outside of the African continent. That the event was a success is due primarily to the dedication of the board members and the support of the various EPB's and community organizations worldwide. We hope that IBN helped foster many fruitful synergies amongst the delegates and that the presentation by Altaf Valliani on 'Doing Business in China' was useful in providing them with an insight into the Chinese business landscape.

I for one, have been awed by the remarkable economic tsunami that China is creating and whose ripple effects continue to reverberate and shape the dynamics of the business world, and particularly the African continent. We at IBN, will continue to strive, in our own humble way, to harness the power of this tsunami in order to continue *'building global business partnerships for Africa.'*

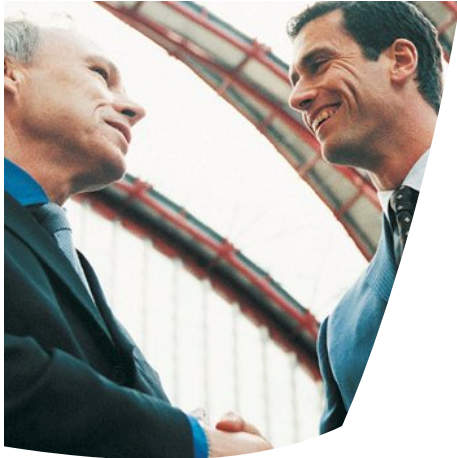
This quest is inspired by the words of His Highness Prince Ayn who, in his Foreword in the 2005 IBN Conference brochure articulated his hope "that IBN will seek new and original models for such alliances, and that it will continue to serve as a catalyst for creating new partnerships, for strengthening existing partnerships and for identifying opportunities within the region."

The above will be foremost on our agenda for our upcoming Business Conference which is to be held in Dubai by the end of March 2007.

We thank you for sharing this journey with IBN thus far and look forward to seeing you in Dubai.

Chairperson: Salim Dewji





IBN Networking at the Canton Fair

An Overview of the IBN Canton Fair Networking Reception held in Guangzhou, China

across the African continent, Canada, Pakistan, France, the USA and the UK attended.

The evening kicked off with the IBN Chairman Salim Dewji welcoming the guests to the event, followed by an introduction on IBN by the General Manager, Laurens van Oeijen.

Mr Van Oeijen articulated the IBN's mission of *'Building Global Business Partnerships for Africa'* and provided an overview of IBN activities including the upcoming Business Conference which will be held in Dubai by the end of March 2007.

The main event of the evening was a presentation on *"Doing Business in China"* by Altaf Valliani who, based on his first hand experience, gave delegates useful advice on how to navigate within the Chinese business landscape. His presentation was followed by a Question & Answer session which was facilitated by a panel of three businesspeople with extensive experience in doing business in China.

In educating and assisting the delegates to seek business synergies with one another, the Networking Reception enabled them to extract optimal business value from their visit to the Canton Fair.

Overall, the evening proved to be a success and a very important milestone for IBN in terms of taking the IBN concept beyond the African continent. The delegates were very positive about the event and based on this, there is a possibility that this Networking Reception in Guangzhou will become an annual event on the IBN calendar and a springboard for IBN internationally.

The Intra Business Network (IBN) recently hosted a Networking Reception at the Phoenix City Hotel in Guangzhou, China on the evening of the 18th October 2006. This was a historic occasion for IBN as it signified the first time that such an event has been held outside of the African continent.

This focus on China was also strategic in the context of the recent *China-Africa Summit* which promises to redraw the world's strategic map by forming tighter political ties between China, which has the world's fastest-growing major economy, and Africa, a continent whose leaders often complain about being left on the periphery of the global economy. Already, this relationship is starting to bear fruit as Africa is enjoying an unprecedented growth rate fueled largely by Chinese spending on African commodities and their capital expenditure on infrastructure in Africa.

The Networking Reception was timed to coincide with the Canton Fair to attract the entrepreneurs who had visited Guangzhou from across the globe. The primary intention of the Networking Reception was to familiarize them with the IBN concept as an international business networking platform.

There was a very positive response to this IBN initiative as 90 international businesspeople from

**SMARTER NETWORKING:
The IBN Experience**

"In educating and assisting the delegates to seek business synergies with one another, the Networking Reception enabled them to extract optimal business value from their visit to the Canton Fair."

"Building Global Business Partnerships For Africa..."



IBN CANTON FAIR NETWORKING RECEPTION GUANGZHOU, CHINA, 18 OCTOBER 2006



IBN IN PICTURES



1st picture on the right: Altaf Valliani doing his presentation on China. **1st picture on the left:** EPB Kenya Executive Officer Nafisa Chatur (1st from left) networking with other delegates.

2nd picture on the right: IBN Board Member, Hussein Ladha (1st from right) of Tanzania with other delegates. **2nd picture on the left:** A group picture of all delegates.

3rd picture on the right: Delegates being attentive during the presentations. **3rd picture on the left:** The IBN Board Members.

4th picture on the right: The EPB Pakistan delegation. **4th picture on the left:** Delegates busy registering.





Doing Business in China *By Altaf Valliani*

“Building Global Business Partnerships For Africa...”

Based on my experience of China over the last 5 years, I'd like to help you get a better idea of what it could be like to outsource your production needs to factories in China. As in all endeavors, there are advantages and disadvantages. Your job will be to figure out if the pros outweigh the cons.

Let me begin by giving you a brief history of how China has grown from a well kept secret to the number one manufacturing and exporting country in the world. For centuries, the Chinese traded their riches with Europe along the Silk Road and its many branches to the north. But the sea trade to the south was new in the 17th and 18th centuries, and the Chinese governments feared that the westerners would corrupt the Chinese and perhaps even try to conquer China. In 1760, the government established a set of regulations to control the foreigners and their ships. Canton was the only port open to strangers. All ships were required to stop first at Macao, a small settlement acquired by the Portuguese in 1557.

Since that time, things have changed considerably...especially in the past 10 years. Lets take a look at some statistics to help you get a better perspective. These numbers reflect how US-Chinese trading has increased in the past few years. In 1995, the US imports from China totaled 45.6 billion. That number increased to 100 billion in 2000 and it now sits at 243.5 billion in 2005. That's an increase of over 500% in the past 10 years ! China has not only developed trade relations with the US, but with almost every country in the world. The top 10 trade partners with China are Japan, USA, European Union, Hong Kong, ASEANic countries, Korea, Taiwan, Australia, Russia and Canada. This is largely due to China officially joining the World Trade Organization in 2001.

What are the advantages of Chinese made products compared to those made in your own countries?

Obviously there are many countries that are candidates for overseas sourcing. China, however, combines advantages that are unique to the world's most populous nation. These include:

- One of the world's lowest labor rates
- Abundant indigenous raw materials
- A well developed industrial base
- A mature communications and transportation infrastructure
- A stable economy

Labor rate: The wage rate paid by Chinese companies ranges from \$100 per month to \$300 per month for labor ranging from blue collar assembly to white collar engineering. That's if they work 6 days a week and a minimum of 10-12 hours a day. But what you may not know is that factories will provide the workers a place to live and free meals. Even if that means sharing a room with up to 8 workers, at least their basic human needs are taken care of and the salaries they earn is directly turned into disposable income. This is the labor rate that is calculated into the cost of the product. This helps dictate the low prices and quotes from manufacturers.

Abundant indigenous raw materials: Most raw materials you will need are available in China as native products. For example, natural rubber, steel and aluminum are all native. However, due to the growth in the Chinese economy, even native materials are often insufficient to meet the demand, so China has become one of the world's major importers of scrap iron, aluminum, copper, and steel.

Well developed industrial base: Since China was isolated from trade with the west from 1949 until the beginning of President Nixon's ping pong diplomacy in the 1970s, China developed a highly self-sufficient industry. Aided by the Russians during the 1950s and 1960s, many large industrial facilities were built. From the perspective of a western observer there seems to be an amazing variety of factories that make the same kinds of industrial goods found in the U.S.

SCALING THE WALL OF CHINA: Experience Counts



“In 1995, the US imports from China totaled 45.6 billion. That number increased to 100 billion in 2000 and it now sits at 243.5 billion in 2005. That's an increase of over 500% in the past 10 years !”



Stable economy: The Chinese economy is surprisingly stable. For example, although China has experienced periods of high inflation due to double-digit growth in its economy, export prices have remained surprisingly stable. By international agreement, the ratio of Chinese Renminbi (RMB) to the U.S. dollar is held fairly constant. Quotations to foreign companies are almost always in US Dollars. That is slowly changing as the RMB has shown a higher value compared to its US counterpart. It is not surprising to receive price quotation in RMB now.

Since China has been a large player in the manufacturing game for the past 20 years, it has gone through many of the growing pains that some other competing countries are going through now. This list includes Viet Nam, Laos and Bangladesh. China has been able to refine its manufacturing and exporting criteria by taking its bumps over the past 20 years. It has discovered that honest and long term business is much more fruitful than making a quick buck. They are making quality a higher priority by continuing to improve their machinery, by educating their staff and by paying more attention to customer service. A large number of companies are even getting out of the copycat mould they had been labeled with for a long time and putting a stronger emphasis on research and development. They have actively sought out professionals in the engineering and scientific sectors to help them improve their products quality and technology.

Chinese factories have been thought of as only Original Equipment Manufacturers or OEM style companies. But, due to the respect they have earned from importing countries, their confidence has grown tremendously. They are now branding their own products and marketing them all over the world. This is a big step for the manufacturing industry as they don't have to sit back and wait for customers to approach them with products they would like to have made.

Instead they can now be more proactive and aggressively pursue potential buyers, confident that their labels can compete with the rest of the world's famous brands. Some of these brands include Lenovo, Gree, Haier and Changhong to name a few.

To every upside there must be some downs also. With its hundreds of thousands of manufacturing and trading companies registered, it may be difficult to know which ones are reliable and which ones are not. When searching for potential factories, the best places to begin are their websites. This will get you in touch with many suppliers who can produce the goods you require. But, be wary, however, of a Chinese company's English-translation on their website. A simple glance at the company's corresponding Chinese Web site, even if it can't be read, often reveals obvious differences between the two. Cross reference all information to avoid any problems.

"A large number of companies are even getting out of the copycat mould they had been labeled with for a long time and putting a stronger emphasis on research and development."

You also need to confirm essential company details. Some companies claim they've been in business for 15 years, when the anniversary is actually closer to 2 years. Others may claim that an informal contact in South Korea is actually a full-fledged joint venture, in order to appear more legitimate. A factually accurate Web site is the first clue that a company is honest and likely to fulfill its contracts.

When contacting the manufacturer, there are some things you need to be careful of. English is not always the language of choice and many of the smaller, lesser-known factories may not have personnel who can speak English.

Their written English may be fine, but they can't communicate orally. This is a big indicator if the factory has been exporting to western countries or just deal locally in China. E-mails and phone calls are necessary to establish trust and credibility, and their importance should not be overlooked. However, it can take as many as 10 e-mails and calls just to make contact, and it may take many more to establish trust. The first piece of information you need to know is if the factory can produce the goods you need to your satisfaction. It is critical to understand that some may claim to be manufacturing the product while making plans to purchase it from someone else, mark up the value, and then sell it. It can be extremely difficult to determine a Chinese company's intentions from phone and e-mail communication, so a certain amount of skepticism is healthy.

When receiving a quote from a manufacturer, ask them for the price quote's expiration date. After several years of deflation or very low inflation, China has recently seen rising inflation and rising oil prices. Because of this, Chinese manufacturers are often unwilling to guarantee price quotes for very long. It is also important to get a Freight On Board or FOB price quote. This will insure that products will be conveniently sent to an agreed upon port in China and that the factory will take care of additional costs such as customs clearance, freight forwarding, custom duties and other domestic charges. Make sure the port is agreed upon, not just FOB any Chinese port as shipping and duties vary from port to port.

Many people ask me is it better to use a trading company or go directly to the factory when importing goods. I tell them that a major advantage of trading companies is their experience in dealing with foreign companies. Trading companies are generally easier to communicate with because they tend to hire more English speakers.



Because they have better-trained staff in their international sales departments, trading companies can help avoid common pitfalls of doing business in China. If you wish to deal directly with the factory, it is highly recommended that you have an external quality control company inspect the goods before they are shipped.

It is a good idea to have the factory you intend on using researched thoroughly. Some may not be as good as advertised. For example, a company that speaks enthusiastically about future deals may do so because it is on the verge of bankruptcy and is desperate to attract business to avoid shutting down. Another may be running a glorified sweatshop—a fact that, for obvious reasons, is not advertised on the company's Web site. A company may claim to be a manufacturer with several hundred employees, but in reality consists of five people in one downtown office acting as intermediaries. Others may boast of reliability and quick delivery times, but have recently experienced multiple week-long power outages due to electricity shortages. Such problems are difficult to discover without visiting China. Having pictures taken of the factory provides you with a visual record of its layout and capabilities. It is essential to confirm that the factory has the current requisite business licenses to operate and export directly. Labor conditions and operation quality should be evaluated through third-party inspections. Waiting until the factory visit to examine these issues may result in wasted time and money on unnecessary visits to inappropriate factories.

When visiting a factory, there are some things that people in my line of work are aware of. There are some factors we look into before commencing any type of negotiations. When visiting a factory, one of the most important things to evaluate is the quality of the company's key people. However, speaking fluent English does not necessarily define the best business partner.

Intangibles such as trustworthiness and capabilities are perhaps more difficult to judge, but they are central to determining the success of the outsourcing project.

Quality control is a crucial detail to discuss during the factory visit. If it is not adequately addressed at an early stage, it could severely complicate the project.

The level of automation in place at the factory is one way to gauge quality. Because labor is inexpensive in China, many factories still do by hand some processes that have long been performed by machines in other countries. Use of manual labor does not necessarily mean that the quality will be lower, but quality control may be more difficult to guarantee and may not be uniform.

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Negotiating contracts with a Chinese factory should be concise and accurate with no room for ambiguity. A clause for disputes should also be included. This clause should specify the choice of law, whether it is PRC contract law, the Uniform Commercial Code, or the UN convention on the international sale of goods, for example. It should also include a mechanism for dispute resolution. Shipping terms should be explicit in the contract. International Commercial Terms, also called INCOTERMS, are the most common international terms of trade. These terms designate who is responsible for clearing the goods for import and export. Terms such as FOB, CIF and CFR which I am sure you are all aware of.

Finally, the single most important part of importing goods from China must be that you have proper quality control measures in place. If the shipping terms negotiated in the contract are for FOB, the buyer is, in effect, paying for the goods at a port in China but will not inspect them until they reach the United States. If there are quality issues after the goods arrive, it may be possible to have a new order sent or to cancel the order, but this will lead to costly delays in delivery times. The best way to protect against such problems is to have a thorough quality assurance system in place in China. This seems like a good place for a shameless plug as companies such as mine who are situated in China and have a western background may be a good option to assist in quality assurance matters.

I hope that I have helped in some way to assist you in your decisions about doing business with China. There are advantages and disadvantages in every aspect of business but I think you will agree that if done cautiously, buying Chinese made products can definitely help increase your bottom line profits.

ABOUT THE AUTHOR

Altaf Valliani was born in Pakistan but was raised and educated in Toronto, Canada. For the past 5 years, he has been residing in China having arrived shortly after September 11th. He has always had an interest in developing a trading or sourcing company and is currently involved in the Chinese based international sourcing company 'East Meets West'.

This article is adapted from the speech delivered by Altaf at the IBN Networking Reception in Guangzhou, China on the 18 October 2006.





Effective Trade Show Strategy

Making The Most Out Of Trade Shows.

A Simmons Market Research Bureau study showed that 91% of respondents ranked trade shows such as the Canton Fair as "extremely useful" as a source for product purchasing information. Those members who were part of the IBN Trade Visit to the Canton Fair in Guangzhou, China would undoubtedly agree with this assessment. Indeed, trade shows such as the Canton Fair with thousands of suppliers, over 27,000 booths and more than 100,000 varieties of goods, are certainly more informative and productive than months of market research. Trade shows serve as vital marketplaces for buyers and sellers. They are showplaces for introducing new products, transacting deals, shopping and research, all conveniently assembled in one space for greater efficiency. A well prepared attendee can thus extract much value from a trade show.

Up to 60 percent of trade show attendees are part of buying teams which utilise sophisticated visiting strategies. Therefore here are a few tips from the experts to ensure that you enjoy higher returns on the time and investment spent on trade shows:

Pre-Trade Show Planning

- Before attending a trade show make a "to see" list and place your current suppliers at the top of this list. This offers you the opportunity to ask technical and purchasing questions regarding current or new projects.
- Do some data gathering prior to the show by doing more research on the trade show and its list of exhibitors.

- Visit the websites of exhibitors that interest you.
- Plan your route by making use of the exhibit floor map.
- Plan a literary giving adequate time for meetings with suppliers, breaks and review sessions with your group.

Strategy During the Trade Show

- Start each day early, and quit after 5 or 6 hours. Do not try to cram too much into one day or you will invariably burnout from information overload and fatigue.
- Visit familiar suppliers first to see what new products they have to offer but do not linger for too long.

" Up to 60 percent of trade show attendees are part of buying teams which utilise sophisticated visiting strategies."

- Trade shows are an opportunity to learn about new products so focus on new suppliers.
- Do not necessarily focus on placing orders at the show. The poorest buying decisions are made when in the vendors' environment. The main purpose of the show is to be able to gather contact numbers, prices and product information that are applicable to your business.
- Walk the show at least four times. The first trip around the show should be to see everything at the show and get familiarised with the layout.
- The 2nd trip should be done by category of products and focus on comparing similar goods with one another.

- The 3rd trip is to investigate in depth those products under consideration and getting as much information as possible.
- The 4th trip is to review and critique each booth you had visited in terms of the way the vendor treats customers, whether the information given was adequate and the quality of their presentations.

- Try and meet with other buyers and people from industries similar to your own. You may get insights from them that could prove useful.

Post Show assessment

- At the end of each show day, get together with your group and compare notes on each supplier.
 - After the show is the time to make buying decisions.
 - If necessary, contact suppliers and have questions, if any, pre-planned.
 - Always file and arrange all product catalogues and supplier information in a systematic manner. Even if you do not use a particular supplier, you may need the information later.
- In short, visiting a trade show is not like visiting a supermarket. You cannot just walk around a tradeshow and decide what you want to do as you go along. To make the most out of trade shows you need to have proper planning, preparation and focus.

ABOUT THE ARTICLE

This article first appeared in the 2005 IBN Business Conference Brochure.

What is IBN?

Intra Business Network (I.B.N) was established in 2001 as an Africa-centric networking platform to bring together key businesspeople with the aim of pursuing and developing business interests in Africa. Today, IBN is a membership network of over 100 influential, high net-worth business people from across Africa and abroad who share a common vision of engaging in strategic business alliances, joint ventures and networking within Africa.

As such, various initiatives are organized to ensure that members are able to grow and to diversify their businesses in Africa by providing the means to identify and capitalize on potential synergies between themselves. Our members are furthermore collectively marketed to potentially interested investors, suppliers etc. as a unique business gateway into Africa.

Direct benefits include:

Networking:

- Network with 100+ "like minded" business people in Africa and beyond
- Be part of a group of 100 companies which is marketed worldwide to potential foreign investors and manufacturers as a unique business gateway into Africa, through amongst others participation in various investment and trade fairs.

Business Research and Development:

- Receive quality business information including finance possibilities, grants, investment opportunities, free trade agreements, etc.
- Research and develop business opportunities together with the IBN staff.
- Information on various joint enterprises and investment opportunities identified by IBN members or the IBN office.
- Participate in country or industry periodic workshops.

Strategic Alliances and Joint Enterprises

- Identify and develop structures allowing members to market themselves as one to its suppliers to facilitate joint bulk buying, import, distribution and marketing. Furthermore this joint effort will greatly enhance our members' capacity to negotiate new and potentially exclusive agencies.
- Identify and develop new opportunities where collectively various members could make a difference to a foreign partners/investors, be it in manufacturing, franchises or the service industry.

Some examples of the services we provide:

- **Annual Business Conference:** Every year IBN organizes a business conference, where members are invited to network and discuss business opportunities.
- **Country Visits:** Every 6 months a visit to a country of interest is organized, highlighting business opportunities and providing local insights and contacts.
- **Country Chapter:** A local chapter is structured per country, creating synergies between the local members to further add to the networking component.
- **Website:** a dedicated interactive website is available, organizing and making available relevant business information. It also provides a tool for online networking amongst members.
- **Add - On Services:** Through its head office in Johannesburg, IBN also provides add-on services tailor made per member. Services include project management, procurement for products, partners, investment or business proposals as well as identifying, developing and managing joint efforts between mem-

OUR MISSION STATEMENT:

IBN endeavours to become a first class worldwide business network empowering its members to widen and deepen their businesses in and with Africa.

Becoming a Member?

All members have one common interest: to further develop their businesses with and in Africa. As membership is by invitation only, it allows us to uphold our high standards as far as credibility and reputation is concerned.

What about on-Members?

As IBN represents a more than 120 successful and reputable business people across Africa and beyond, non members interested to (further) develop their businesses with and in Africa, are invited to visit our website and/or to contact our IBN H/O in South Africa.

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