

# China puts technology at policy forefront

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Semiconductors may be the best way for China to move beyond simply being regarded the factory to the world, albeit a huge one at that.

Given that chips are found in all technology-driven products from computers to consumer goods, becoming a world leader in producing them will lead to greater power for the country, according to William Archey, chief executive of the American Electronics Association and former U.S. Department of Commerce official.

"Semiconductors determine so many things ... so China must become a leader in chips" if it is to remain a formidable economic force, Archey said at a briefing on high technology in China hosted by the Council on Foreign Affairs Wednesday.

Certainly, the Chinese authorities appear to agree with that assessment as lawmakers make clear that investing in the technology sector is key for the country's growth, a fact noted by Adam Segal, senior fellow of China studies at the council.

"Information technology, the environment, aerospace, energy, and biotech are where the (government) money is focused on," Segal said, adding that U.S. policymakers too could learn from the priorities outlined by their Chinese counterparts as many still appear oblivious to the fact that the United States might be losing ground when it comes to training technology specialists.

As a result, it would be good for lawmakers and the general public alike

to be wary of the so-called China threat, given that it may well be a reality, Archey said.

Still, there are perhaps more opportunities to be had as China becomes more of an equal to the United States when it comes to raking in profits. For instance, both Archey and Segal pointed out that the Chinese government was far more open than the Japanese, especially as the Japanese fought hard to protect their domestic companies by keeping foreign competition at bay.

"In Japan, it was always a question of market access" when it came to negotiating with the Chinese authorities, Segal said. He pointed out that in the case of China as well as India, it has been clear that the governments wanted to emulate the U.S. business model, which has not been the case in Japan.

Of course, one of the issues for technology companies doing business in China has been the protection of intellectual property, or lack thereof, which has not been the case when operating in Japan. But analysts have broadly agreed that once the Chinese start producing goods that require patent protection, it will quickly be in the government's interest to start imposing the laws to assure Chinese corporate profits.

Meanwhile, there is likely to be a shift within China on how business is conducted in coming years.

Many of those who are currently driving business in China "are scientists, who aren't necessarily the best managers," Archey said, adding that a large number of those want to be their own boss, resulting in the establishment of numerous smaller enterprises rather than a handful of powerful industrial groups.

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