Discussion Questions for June 28, 2002

Two case studies (FDI in China, CITIBANK, N.A., IN CHINA) are on reserve at the Circulation Desk of Terman Engineering Library.

- The micro-profit era requires a rigorous mind, rigorous curriculum, and rigorous thinking. When you can no longer price up, you have to cost down – even if it is just one penny.

- 8/70% rule – if the top 8 in a particular industry counts more than 70% of the market share, the average revenue doubles than otherwise.

- New battlefield – deploy the second best of your technology to fight with the best of your competitors in the emerging market? How much competition is there over the battlefield?

- Why is this new battlefield different?
  - It starts from scratch – its phone lines are made of optical fiber instead of copper, for example.
  - Its labor cost is inexpensive and of immense supply – allowing you to test any frontier management science concepts or technologies (supply-chain optimization, 6-sigma quality assurance standard, you name it).
  - Its regulation is relatively loose or non-existent – allowing you to shorten the time to market.
  - Its potential consumption power, undervalued currency, etc. attract, and its land and resources can easily accommodate competitors with cutting-edge technologies from all over the world – almost all of the leading companies are establishing subsidiaries or regional headquarters there.

- Regulation arbitrage allows pharmaceuticals to profit and boom faster in emerging markets?

- Debt/equity percentage for Construction is 50/50, versus 3/97 for Bio-tech/ Pharmaceuticals.

- Emerging markets prefer to issue bonds in US dollars? Are U.S. dollar-denominated bonds good for creditors (lenders)? For debtors (borrowers)?

- Beat your counterpart project? Counterpart project from an executive in Greater China—like to comment? Get a copy from me during my office hours.

- Under what condition will foreign capital be trapped? How about setting up a specific technology platform for communications, for example?