

# Chinese ICT market opportunities await Taiwan vendors

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**Source:** Chinese Communication Network

**Date published:** 8 Aug 2008

**Reporter:** -

**Editor:** -

In the face of the global economic downturn, the Chinese market for information and communication technology (ICT) products will continue to outstrip other markets, and Taiwanese vendors should capitalize on this, a local research body said Thursday.

"Because of the slow growth in both the international and domestic market demand, China's integrated circuit (IC) production value in 2008 is estimated to rise by only 20 percent, compared with 40 percent in 2006," Eirc Chang, the vice president of Topology Research Institute, said Thursday at a seminar.

According to the research unit, China's IC production value in 2007 was 125 billion yuan (\$18US.24 billion), representing an annual growth of 24.4 percent.

China's economic growth, presented as gross domestic product (GDP), also showed a slower growth rate of 10.4 percent in the first half of 2008, down from the 12.2 percent recorded in the same period last year.

However, Chang and other analysts from the research unit noted that China's IC industry is still the envy of the world, as the overall production value of the global IC industry grew at a meager 5 percent in the first two quarters of 2008.

"Taiwan's vendors should focus on the three most popular ICT products in China -- LCD TVs, mobile phones and notebook computers -- when exploring business opportunities there," Chang suggested.

The second quarter market output of LCD TVs in China grew at a stellar 82.7 percent year-on-year, reaching 2.8 million units, due to higher demand sparked by the Beijing Olympic Games in August, according to the research unit.

When a big sporting event is about to be held, consumers usually buy more electronic appliances that would allow them to receive the good quality game broadcasts, he noted. Chang suggested that local display panel manufacturers, one of the stronger sectors of Taiwan's ICT industry, should collaborate with brand companies in China, which have the edge in terms of cost, to compete with global brand names.

Korean and Japanese companies together captured 51.12 percent of the China ICT market, while Taiwan companies took only 34.36 percent, Chang said.

As for Taiwan's mobile phone makers, the market focus should be upstream production, in areas such as key components, another TRI analyst said.

"The strength of the Taiwan companies lies in original equipment manufacturing (OEM)," said Kevin Gao, a TRI researcher manager based in Shanghai.

The demand in China for high-quality mobile phone accessories such as phone keys and printed circuit boards (PCBs) will rise at a fast pace to match the expanding telecommunication market, Kao said.

According to the research unit's statistics, there are currently eight million new cellphone subscriptions each month in China, an indication that the country's mobile phone production output will surpass 100 million by 2011.

Touching on the business outlook for notebook computers in China, Chang said thanks to the low-price of the products, the market output is expected to reach 10.6 million in 2008.

"Local notebook OEM vendors such as Quanta Computer and Inventec should be able to secure business there," he added.

Source:mbtmag

## **Background:**

Taiwan's vendors three most popular ICT products in China -- LCD TVs, mobile phones and notebook computers

## **Issues:**

The recent economic downturn cause slow growth in the global market. China's integrated circuit (IC) production value in 2008 is estimated to rise by only 20 percent, compared with 40 percent in 2006

## **Influences:**

Economy is slowing down. The people are less willing to spend. There is sudden height in supply and less in demand. However this opens up the market for research, development, and entrepreneurship.

## **Personal opinion:**

Times are bad. However, this time is the best opportunity for small/medium business to from Taiwan to enter the China market at a low cost and own a piece of the giant pie. As Kevin Gao, a TRI researcher manager based in Shanghai said, "The strength of the Taiwan companies lies in original equipment manufacturing (OEM)", Taiwan can make use of their strength to attract foreign investors to come and invest in the country.

## **Reference:**

Chinese ICT market opportunities await Taiwan vendors - ICT\cn-c114 C114 - Chinese Communication Network <http://www.cn-c114.net/579/a336309.html> accessed on 17 Oct 2008