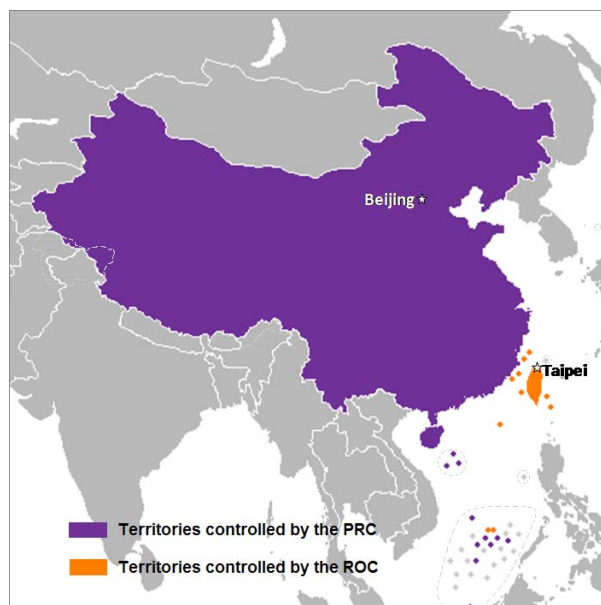


Inside Outsource Consulting

Fast Facts – China



If you believe the hype, this is *China's Century*. The People's Republic of China is the largest nation by population and the fourth largest by land area. China is undeniably an economic and military superpower. With a nominal GDP of \$3.3 trillion US and the highest rate of economic growth of any of the G20 member countries, China is poised to become the largest economy on the planet by 2030. Understanding China is critical to any well-articulated IT or Software Development outsourcing strategy.

Demographics

Population:	1.3 billion (1 st)
Size:	3.7 million square miles (4 th)
Time zone:	Chinese Standard Time (UTC +08:00)
Government:	Single party Socialist Republic
Religion:	Officially irreligious In practice highly diverse
Languages:	Mandarin and 13 related dialects English mandatory in schools
Education:	est. 400,000 CS/IT grads annually

Why China?

- Costs are in the 20% (fully burdened) range. Developer salary is in the \$15K/year range.
- Excellent infrastructure in major cities.
- Access to massive labor pool (~2M developers).
- **1000-100-10 Project** provides significant financial incentives for new IT outsourcing ventures.
- Potential access to a massive consumer market.

Companies to watch

Gartner's top-10 (by headcount): Neusoft, DHC, SinoCom, Hisoft Technology, Chinasoft, Vance InfoTech, Achievo, Insigma, iSoftstone, Beyondsoft.

- **"The Big Guys":** All the major IT service companies have some operations in China.
- **Beyondsoft:** 10th largest, with good US-local sales and service delivery.
- **Freeborders:** Small, but the first to develop US-native sales and marketing teams.

Why not China?

- Education is not on par with US expectations. Expect a full year of training for college grads.
- English language proficiency is vastly overstated.
- Government-mandated 40-hour work and patronage system means management headaches.
- IP protection and data security is weak.