

## AGMA's China Strategy

**W**hen we announced that AGMA would be hosting a pavilion for members to exhibit at the PTC-ASIA trade show in Shanghai, China, a few members called to ask, "Why are we doing it? What's in it for our members?"

Following some discussion, everyone agreed that AGMA's job is not to protect the status quo but to help members recognize, understand, and take advantage of the opportunities that will serve us all in the future. Today's market is so fast-paced and changing that standing still is the equivalent of losing ground. Members who are active in China gave the following reasons for being there.

**1.** Like it or not, we all know that many of our industry's customers are moving some of their operations to China. Even so, they frequently want the confidence of continuing with their traditional suppliers—AGMA members. You have developed a good partnership over time, so why abandon it now? Why should someone else get the business?

In truth, the Chinese gear industry simply cannot produce enough high quality gears to meet the demand of their market, much less the added demand of international manufacturers moving there.

**2.** Chinese OEMs are looking for better quality gears. Chinese manufacturers number in the hundreds, but by their own admission, they are not up to the quality level demanded by world-class manufacturers. The Chinese industry's current five-year plan calls for an improvement in their manufacturing capability and quality with the objective of having an industry that can produce gears and power transmission equipment suitable for export to demanding customers.

**3.** The United States and other national governments have a variety of assistance programs to stimulate exports. For example, the U.S. Commerce Department's Foreign and Commercial Service ([www.export.gov](http://www.export.gov)) and the Export-Import Bank ([www.exim.gov](http://www.exim.gov)) have programs for loans that include cash-flow assistance, market research, loan guarantees, etc.

**4.** AGMA member Alan Seitz (CEO of Seitz Corporation) has manufactured in China since 2001, and his Chinese sales and profits have increased each year. Another executive with experience in the details of doing business in China introduced Alan to this market. With five years of successful experience, Seitz is returning the favor by offering AGMA members an opportunity to work and learn from his new "incubator service."

The Seitz China facility includes state-of-the-art furnished offices, flexible amounts of modern manufacturing space up to 25,000 square feet, meeting rooms, employee cafeteria, modern western bathroom facilities both in the plants and office, employee bus service, and assisted transportation in many instances. The Seitz incubator staff will assist with translation, registration and business licensing, accounting services, human resource services (including recruitment and general management if needed), legal and banking introductions, and accounting services. For details, see [www.seitzchina.com.cn](http://www.seitzchina.com.cn).

**5.** Talk about doing business in China and most people assume you will be importing lower cost products for resale. A number of AGMA members are currently sourcing products from China with good success. Some Chinese power transmission products are suitable for import into the United States, Canada, and other countries. And AGMA's membership is international, including several members in China.

**6.** Finally, AGMA has an excellent relationship with the China Machine Components Industry Association and the China Gear Manufacturers Association. In addition to hosting a pavilion at PTC-ASIA, we have exhibited in several other shows. As a result, we have an excellent rapport with the leaders of these counterpart associations that generally guarantee introductions to leaders of the associations and gear manufacturers in China.

AGMA's commitment to members to help recognize, understand, and take advantage of the opportunities that will serve us all in the future is not new. In addition to ever-changing domestic programs, we have worked closely with the international gear associations and with gear manufacturers in Japan and Europe for decades.

Without question, these long-term relationships with the European and Japanese associations, with the Eurotrans organization, and as a supporter of the periodic Gear Summit position AGMA to help members doing business in these markets.



AGMA President Joe Franklin