

Country - China

1. **Sponsors:** Confirm sponsor reliability and reputation in the local community. Evaluate technical skills and financial strength. Be skeptical of commitment if equity participation is secondary to other interests. Review related sponsor businesses for financial viability.
2. **Markets:** Thoroughly analyze technology, trends and product differentiation, where barriers to entry are low, and all major inputs, when involved in international markets, not just labor costs. Flexibility in modifying products and target markets can be profitable.
3. **Management:** Remedy quickly any deterioration resulting from changes in management and control. Expatriate teams should have at least one member with local language capabilities.
4. **Appraisal:** Ensure security packages are obtainable to avoid subsequent changes after commitment. Corroborate positive sponsor reputation.
5. **New and premium products:** Do not underestimate the difficulties of introducing and selling new or premium products, especially in a centrally-planned economy.
6. **Competition:** Subsidizing a state firm may be considered financially and politically preferable to closure. Where companies compete internationally, assess all major inputs.

The above lessons are based on 16 lessons from past IFC investments.
Last updated January 1999.