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Cisco plans expansion in Chinese market

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BEIJING, June 17 -- President and CEO of Cisco Systems John Chambers, 56, speaks very quickly.

Addressing a group of Asian journalists early this month at the company's headquarters in San Jose, California, even the simultaneous interpreter often failed to follow his West Virginia accent, prompting complaints from Chinese journalists for missing points on business strategies. Chambers claimed he was speaking at his slowest speed.

Chambers' actions speak as fast as his words.

Cisco, the world's largest computer network equipment maker, finished its 100th acquisition early this month. The deals were done within 10 years of Chambers' taking over as CEO in 1995. In 2004, Cisco's revenue increased to US\$22 billion from US\$1.2 billion in 1995.

"Acquisition is ongoing," Chambers said. "We believe acquisition is an effective way to grow."

Cisco has been entering new markets through acquisitions. It will continue to seek new investment opportunities. It will "get the best company to acquire" and attract the best talents, he said.

Chambers thinks highly of the Asian Pacific region.

"The Asia Pacific region has been our fastest growing market year on year," he said. A large part of Cisco's manufacturing comes from this area.

Chambers said many of his partners have said his behaviour and style are somewhat Asian.

At Cisco's headquarters, 60 per cent of the staff have Asian backgrounds.

In the Asia Pacific region, China, the most populous country in the world, has a great IT education system, indicating a huge potential for investment and personnel, Chambers said.

He has a special interest in China, doing business here for the past two decades. "If I wasn't American, I would be Chinese," he said.

Cisco's latest moves in China include opening the Urumqi representative office and expanding the Shanghai research and development centre this month.

The Shanghai centre, at a cost of US\$32 million, is recruiting around 100 Chinese engineers to work better in the local market and cut costs.

"Labour is a very challenging issue. Through the R&D centre in Shanghai, we hope to have a better situation for labour costs in China," said Mike Volpi, Cisco's senior vice president.

"The most important thing in IT is not technology, but the people, the process." That is why

Cisco has established around 200 networking academies around the country in co-operation with Chinese universities. These academies provide online and offline programmes which have trained thousands of Internet professionals.

Cisco entered China 11 years ago. So far, it has invested in six Chinese companies including the Shanghai-based Shanda Interactive Entertainment, the biggest Chinese online game operator.

All Cisco's acquisitions in China are made through the Softbank Asia Infrastructure Fund, set up by Cisco and Japan's Softbank.

"Our investment returns from China are better than those from America," Chambers said.

Cisco, with routers and switches as its core products, faces challenges from major Chinese companies like Huawei Technologies and ZTE Corporation, which are quickly expanding in both domestic and overseas markets, with cheaper products.

But "we don't have an architecture business competitor, competition comes from one or two products, and competition varies by market," Chambers said.

Cisco router has competitors in China like Huawei and ZTE, but "we don't compete much," said Volpi, who is also the general manager of Cisco's Routing Technology Group.

Cisco has 70 per cent of the market share in routers globally, he said.

Volpi also ruled out the possibility of Cisco buying Huawei.

The company is expected to manufacture 40 per cent of its products in China in the coming years to cut costs. All Cisco's products are done through outsourcing.

The Shanghai R&D centre will start from the telecoms sector and expand to other areas in the future.

"China's economy is developing rapidly, we hope it will continue to develop, and people will pay more for our products," Volpi said.

Cisco will aim to educate customers and improve distribution channels in China, he said.

"We'll continue to work on new services," as Cisco has expanded, from routing and switching, to six new fields: IP (Internet protocol) telephony, storage, security, wireless, home networking and optical networks.

"More boxes, more problems; less boxes, less problems," Volpi said, as to why Cisco is pursuing new technologies and products. The company is making efforts to put different products in one network.

"What customers want today? Integrated network," said Charles Giancarlo, Cisco's senior vice president and chief technology officer. "(It's) not only cost saving, but also provides services very quickly."

One network combines many uses; the network realizes the virtualization of resources and services. This is Cisco's blueprint for an intelligent information network in the coming three to five years.

Cisco also has branches in Beijing, Shanghai, Guangzhou and Chengdu. It also set up representative offices in Nanjing, Xi'an, Shenzhen and Urumqi.

(Source: China Daily)

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