



US/CHINA

DOLL, KRAMLICH, TAN ALL LOOKING EAST

Chairing last week's International Business Forum conference in San Francisco, **Dixon Doll**, co-founder of Doll Capital Management had China on his mind. He compared Silicon Valley in 2000 with China in 2005 and noted that similar characteristics exist:



Dixon Doll

entrepreneurial activity, capital inflows, late stage valuations going up, and lots of new opportunities. But unlike others who have argued that China is in a bubble economy, he said that the development of China's information technology and communications sector is not close to what the Valley's was in 2000 and added that the "venture industry is in its infancy in China." He did point, however, to the shortfall of management talent as the "number one challenge we face" in China. He also noted the complexity of investing in China through offshore vehicles. "You have to tough it out," said Doll, whose firm has invested in nine Chinese portfolio companies.



Dick Kramlich

One of the new challenges of investing in China is a government regulation introduced this January that restricts entrepreneurs from

owning shares in foreign VC-backed companies. Doll blamed a drop in China VC investing in the first quarter of this year compared to the same period last year on this new regulation, called "Document 11." A growing consensus of observers, however, believe that the new rules are aimed at Chinese citizens seeking to exploit offshore tax havens rather than at overseas private equity firms looking to invest in China.

Asked what he thought about the new rule, Doll replied, "It doesn't matter what I think, it matters what the Chinese government thinks. The most fundamental rule in China is don't get cross-wise with the strategic ways of the Chinese government."

General partner **Dick Kramlich** of New Enterprise Associates pointed to the lack of intellectual property protection in China. "Often, you don't know you are getting ripped off until the horse is out of the barn." Still he concluded on an upbeat note about the prospects, "Sand Hill Road VCs ignore China at their own peril."

He noted that NEA has recently opened a Shanghai office in order to keep a closer watch on its four investee companies in Shanghai.

Lip-Bu Tan of Walden International noted the movement of the venture business to a global stage, and pointed out that China and India are star players in that movement. As one example of this trend, he cited the 320,000 engineers who are graduating annually from India and China compared to 60,000 in the US, and half of those 60,000 foreign-born.



Lip-Bu Tan

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